



AUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2015**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 2 to 89, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 23 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, save for disclosure in said note read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J MDAKANE
MUNICIPAL MANAGER

Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended

30 June 2015

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

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Name of Chief Financial Officer:

MR S M Rajcoomar

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KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

General information

Members of the Council

N R Mthembu
G Govender
T Khuluse
C R Marsh
M S Sing
S P C Mdletshe
S Oudhram
J L T Sibiya
S S Gumede
J M Banda
M S Mhlongo
D W Ndimande
O L Nhaca
B B Sing
D Singh
C N Xulu
M E Zungu
N P Dube
N Sewraj
E B Majola
L R Makhathini
T E Msweli
A M Baardman
T V Ntuli
M S C M Motala
G N Mbonambi
N G Mthethwa
R N Pakkies
G J Van Whye
N M Hlatshwayo
V M W Mdluli
A L Sahadaw
J A Vallan
W M Luthuli
R Singh
S Anamalay
B Dlavana
A Gopaul
T K Gumede
T N Khumalo
E M Kolia
S P Luthuli
S L Magubane
S M R Mfeka
S D Mashiya
G Z Mngomezulu
C Ndlovu
D M Ngcobo
T Ntuli
S A Ngwane
I T Nxumalo
J S Phahla

Mayor

Deputy Mayor

Speaker

[illegible]

KWADUKUZA MUNICIPALITY
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for the year ended 30 June 2015

General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor General South Africa (AGSA)

Bankers

First National Bank

Registered Office:

KwaDukuza Municipality

Physical address:

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KwaDukuza
4450

Postal address:

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**KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2015**

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Note	2015 R	Restated 2014 R
ASSETS			
Non-current assets		1 659 080 839	1 469 188 650
Property, plant and equipment	10	1 559 954 151	1 374 603 441
Intangible assets	11	10 789 991	11 549 526
Investment properties	12	87 175 000	82 030 000
Heritage Assets	13	105 386	18 346
Long-term receivables	14	1 056 311	987 337
Current assets		668 110 105	653 709 037
Inventories	15	6 208 730	5 761 340
Receivables from exchange transactions	16	62 072 592	69 365 903
Receivables from non-exchange transactions	17	54 626 375	32 298 645
Value added taxation receivable	9	4 798 580	3 906 347
Current portion of long-term receivables	14	12 854	6 109
Cash and cash equivalents	18	540 390 976	542 370 693
Total Assets		2 327 190 944	2 122 897 687
LIABILITIES			
Non-current liabilities		298 856 921	232 154 644
Long-term liabilities	2	212 328 081	147 817 183
Non-current provisions	3	7 139 841	6 977 991
Employee benefits	4.2	66 818 000	65 031 000
Long service awards and retirement gifts	4.3	12 571 000	12 315 000
Non-current lease liability	40	-	13 470
Current liabilities		258 542 018	297 940 672
Deposits	5	26 160 144	24 237 783
Current Portion of Provisions	6	1 319 908	1 284 404
Trade and other payables	7	179 194 418	183 636 789
Unspent conditional grants and receipts	8	39 225 938	75 476 334
Current portion of long-term liabilities	2	12 628 140	13 099 635
Current portion of lease liability	40	13 470	205 728
Total Liabilities		557 398 940	530 095 316
Net Assets		1 769 792 005	1 592 802 371
NET ASSETS			
Housing operating account	1	8 728 156	8 728 156
Revaluation Reserve		9 813 137	9 813 137
Accumulated surplus		1,751,250,718	1,574,261,076
Total Net Assets		1 769 792 005	1 592 802 371

**KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	Restated 2014 R
CONTINUING OPERATIONS			
REVENUE			
Revenue from non-exchange transactions			
Property rates	19	274 954 483	255 740 248
Property rates - penalties imposed and collection charges		8 829 843	9 666 071
Fines	28.2	21 075 352	25 973 087
Government grants and subsidies	21	193 738 328	141 651 286
Licences and permits		8 622 880	8 767 667
Public donations - Property, plant and equipment	10	15 195 302	5 024 977
Revenue from exchange transactions			
Service charges	20	621 653 078	574 684 790
Rental of facilities and equipment		1 065 346	1 065 285
Interest earned investments	18	30 490 667	21 700 289
Interest earned outstanding debtors		5 673 326	4 283 230
Other income	28.1	57 423 828	42 069 392
Gain on disposal of property, plant and equipment		53 500	84 105
Fair Value Adjustment of investment properties	12	5 145 000	10 445 000
Total Revenue		1 243 920 933	1 101 155 428
EXPENDITURE			
Employee related costs	22	251 403 648	228 028 006
Remuneration of councillors	23	17 612 038	16 607 754
Collection costs		4 165 459	4 727 168
Ammortisation	11	2 753 355	2 375 177
Depreciation	10	43 997 460	41 324 335
Repairs and maintenance	35	78 867 688	73 669 433
Finance costs	24	19 808 206	11 599 969
Bulk purchases	25	427 861 024	398 246 744
Employee and long services benefits	4.3	2 043 000	6 022 519
General expenses	26	168 364 159	159 694 909
Contracted services	27.1	25 744 920	26 559 763
Transfer made: MIG funding paid to Ilembe District Municipality	27.2	20 751 542	8 528 290
Adjustments to allowance for impairment	16	17 078 712	16 090 377
Adjustments to non-current provisions	3	197 354	(1 149 193)
Bad debts written off	16	6 696 576	6 603 633
Loss on disposal of assets		1 759 166	-
Impairment loss on assets	10	12 900 502	7 015 752
Less: Recharges		(35 073 518)	(36 357 784)
Total Expenditure		1 066 931 291	969 586 853
SURPLUS FOR THE YEAR		176 989 642	131 568 574

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2015

	<u>Housing Operating Account</u> R	<u>Revaluation Reserve</u>	<u>Accumulated Surplus</u> R	<u>Total</u> R
Restated balance at 30 June 2012	8 728 156	-	961 938 948	970 667 105
2013				
Surplus for the year	-	-	157 480 961	157 480 961
Revaluation Reserve	-	9 813 137	-	9 813 137
Adjustment to Rates Revenue prior 2013/2014 due to Valuation appeals			(2 581 825)	(2 581 825)
Adjustment to Prior 2013/2014 Depreciation			(2 451 942)	(2 451 942)
Adjustment to Prior 2013/2014 VAT - VDP application (Capital)			(1 202 107)	(1 202 107)
Adjustment to Prior 2013/2014 VAT - VDP application (Interest & Penalties)			(414 366)	(414 366)
Adjustment to Prior 2013/2014 - Free Basic Services			103 179	103 179
Adjustment to Prior 2013/2014 - Other Income in respect of sundry deposits			(735)	(735)
Adjustments to Prior 2013/2014 Property Plant & Equipment			5 441 485	5 441 485
Adjustments to Employee Related Costs - Payment to Deceased Estates.			(6 400)	(6 400)
Adjustment to General Expenses prior 2010/2011 in respect of SALGA subscriptions.			(300)	(300)
Recognition of Land			132 162 000	132 162 000
Recognition of land related to RDP projects			205 638 000	205 638 000
Derecognition of Land as per Land Audit			(10 520 439)	(10 520 439)
Fair value adjustment of Investment Property			1 740 000	1 740 000
Adjustment to Employee Related Costs prior 2013/2014 in respect of staff bonus			(4 634 041)	(4 634 041)
Restated Balance at 30 June 2013	8 728 156	9 813 137	1 442 692 418	1 461 233 711
2014				
Surplus for the year	-	-	131 568 574	131 568 574
Restated Balance at 30 June 2014	8 728 156	9 813 137	1 574 261 076	1 592 802 369
2015				
Surplus for the year	-	-	176 989 642	176 989 642
Revaluation Reserve	-	-	-	-
Balance at 30 June 2015	8 728 156	9 813 137	1 751 250 718	1 769 792 011
Note 36 provides further details of adjustments pertaining to the 2013/2014 financial year.				

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 R	Restated 2014 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		1 111 590 139	1 097 857 259
Cash paid to suppliers and employees		959 707 455	917 231 120
Cash generated from operations	30	151 882 684	180 626 140
Interest received		30 490 667	21 700 289
Finance costs	24	(19 808 206)	(11 601 150)
NET CASH FLOWS FROM OPERATING ACTIVITIES		162 565 145	190 725 279
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(228 745 832)	(246 287 036)
Purchase of intangible assets		(1 479 348)	(335 666)
Decrease/(Increase) in non-current receivables		(75 718)	12 919
Proceeds on Sale of Property, Plant & Equipment		-	84 105
NET CASH FLOWS FROM INVESTING ACTIVITIES		(230 300 898)	(246 525 677)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		80 876 185	81 283 287
Loans repaid		(16 836 782)	(13 149 906)
Lease repayments		(205 728)	(396 833)
Increase in consumer deposits		1 922 361	1 487 336
NET CASH FLOWS FROM FINANCING ACTIVITIES		65 756 036	69 223 883
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1 979 717)	13 423 485
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		542 370 693	528 947 208
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	540 390 976	542 370 693

KWADUKUZA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15									
R (000) thousands	Original Budget	Budget Adjustments	Final Budget	Actual outcome	Variance (1) between Original and Final Budget		Note on variances (1)	Variance (2) between Final Budget and Actual outcome		Note on variances (2)
Financial Performance										
Property rates (Including Penalties and Collection Charges)	299,841	101	299,942	283,784	101	0%		16,157	5%	
Services charges	640,086	(9,944)	630,142	621,653	(9,944)	-2%		8,489	1%	
Investment revenue	13,643	11,307	24,950	30,491	11,307	83%	38.1	(5,541)	-22%	38.8
Transfers recognised - operational	119,096	20,575	139,671	119,744	20,575	17%	38.2	19,927	14%	38.9
Other own revenue	66,897	14,146	81,043	114,255	14,146	21%	38.3	(33,212)	-41%	38.10
Total Revenue (excluding capital transfers and contributions)	1,139,563	36,184	1,175,747	1,169,926	36,184			5,821		
Employee Related Costs	283,977	(11,208)	272,770	251,404	(11,208)	-4%		21,366	8%	38.11
Remuneration of Councillors	18,510	(400)	18,110	17,612	(400)	-2%		498	3%	
Allowance for impairment	11,086	(6,089)	4,997	3,803	(6,089)	-55%	38.4	1,194	24%	38.12
Depreciation and asset impairment	69,900	(8,602)	61,298	59,651	(8,602)	-12%	38.5	1,647	3%	
Finance charges	20,016	576	20,592	19,808	576	3%		784	4%	
Bulk Purchases	431,483	6,683	438,166	427,861	6,683	2%		10,305	2%	
Other Expenditure	304,575	55,215	359,789	286,792	55,215	18%	38.6	72,997	20%	38.13
								-		
Total Expenditure	1,139,547	36,175	1,175,722	1,066,931	36,175			108,790		
Surplus	16	9	25	102,995	9			102,970		
Transfers recognised - capital	41,490	48,091	89,581	73,995	48,091	116%	38.7	15,586	17%	38.14
Contributions recognised - capital and contributed assets	-	-	-	-	-			-		
								-		
Surplus after capital transfers & contributions	41,506	48,100	89,606	176,990	48,100			(87,383)		
								-		
Share of surplus of associate										
Capital Expenditure & funds sources										
Capital Expenditure										
Transfers recognised - capital	41,490	48,091	89,581	73,995	48,091			15,586		
Public Contributions and Donations	-	-	-	-	-			-		
Borrowing	122,515	(27,754)	94,762	80,876	(27,754)			13,886		
Internally generated funds	275,271	(51,365)	223,907	73,928	(51,365)			149,978		
Total Sources of capital funds	439,277	(31,027)	408,250	228,799	(31,027)			179,450		38.15
Cash Flows										
Net cash from (used) operating	90,602	(69,855)	20,747	162,565	(69,855)			(141,818)		
Net cash from (used) investing	(439,577)	157,959	(281,618)	(230,301)	157,959			(51,317)		
Net cash from (used) financing	103,309	(24,701)	78,609	65,756	(24,701)			12,853		
Cash/cash equivalents at the year end	224,427	63,403	360,109	540,391	135,682			(180,282)		

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") respectively, as amended.

The Minister has determined the following Standards of GRAP for Municipalities.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investment in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

GRAP 26	Impairment of Cash –generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

In addition the municipality has applied all the other Interpretation Standards and directives determined by the Minister in the updated Directive 5.

1.1 Changes in accounting policy and comparability

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 COMPARATIVE INFORMATION

1.2.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.3 Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate statement called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget. The comparison of budget and actual amounts presents separately for each level of legislative oversight the following:

- ✓ the approved and final budget amounts;
- ✓ the actual amounts on a comparable basis; and
- ✓ by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

1.4 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.4.1 Revenue Recognition

Accounting Policy 9.2 on Revenue from Exchange Transactions and Accounting Policy 9.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.4.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on relevant accounting standards as assessed by management.

1.4.3 Impairment of Financial Assets

Accounting Policy 7.4 on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.4.4 Useful lives of Property, Plant and Equipment (“PPE”)

As described in Accounting Policies 3.3 and, 4.2 the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.4.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.4.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 12.4, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 4.

1.5 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.6 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.7 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.8 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations as listed below.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for service concession arrangements.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

Arrangements within the scope of this Standard involve the operator providing a mandated function related to the service concession asset on behalf of the grantor. The operator providing the mandated function can either be a private party or another public sector entity.

Arrangements outside the scope of this Standard are those that do not involve the delivery of a mandated function and arrangements that involve the provision or management of services where the asset is not controlled by the grantor (e.g., outsourcing, service contracts, or privatisation).

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control. A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts. The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit). Specific disclosures are required when there is a transfer of functions between municipalities under common control.

The effective period beginning on or after 01 April 2015. The municipality expects to adopt the standard for the first time once it becomes effective. It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions. In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values and should be derecognised (by the acquiree) at their carrying amounts. The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit). For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles. Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

The effective period beginning on or after 01 April 2015. The municipality expects to adopt the standard once it becomes effective. The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger. A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality. In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts. The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit). Specific disclosures are required when there is a merger.

The effective period beginning on or after 01 April 2015. The municipality expects to adopt the standard once it becomes effective. The impact of this standard is currently being assessed.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for statutory receivables.

This Standard does not apply to the following receivables, except if indicated otherwise:

- Receivables and any other financial assets that arise from contractual arrangements to which the Standard of GRAP on Financial Instruments applies.
- Receivables to which the Standard of GRAP on Leases applies.
- Insurance contracts as defined in the International Financial Reporting Standard on Insurance Contracts.

Statutory receivables can arise from both exchange and non-exchange transactions. Where these receivables arise from exchange and non-exchange revenue transactions, an entity shall apply the recognition and initial measurement requirements of the Standards of GRAP on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions (Taxes and Transfers), as well as the requirements of this Standard.

IGRAP 17 Service Concession Arrangements where the Grantor controls a significant residual interest in an asset

The Standard of GRAP on Service Concession Arrangements: Grantor requires the grantor to recognise a service concession asset provided by the operator and an upgrade to an existing asset of the grantor if:

- The grantor controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price; and
- The grantor controls—through ownership, beneficial entitlement or otherwise—any significant residual interest in the asset at the end of the term of the arrangement.

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If one or both of these criteria are not met, the grantor needs to consider the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease (IGRAP 3) to determine whether the arrangement constitutes a lease. The principles in the Standard of GRAP on Leases shall then be applied to determine whether the arrangement constitutes a finance lease or operating lease.

If the grantor concludes that the arrangement does not constitute a finance or an operating lease after considering the principles in the Interpretation of the Standards of GRAP on Determining Whether an Arrangement Contains a Lease and in the Standard of GRAP on Leases, the grantor shall consider the principles in the Framework for the Preparation and Presentation of Financial Statements in accounting for any revenue and expenses incurred in terms of the arrangement.

The Standard of GRAP on Service Concession Arrangements: Grantor applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity.

1.9 Standards not yet effective but used for disclosure purposes

Council has adopted the following GRAP standard on related parties to determine its disclosure on related party relationships, transaction and balances.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ✓ control;
- ✓ related party transactions; and
- ✓ remuneration of management

No effective date has yet been determined by the Minister of Finance.

2. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Where the municipality experiences a nett loss on proceeds realised these are funded by the accumulated surplus. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<i>Details</i>	<i>Years</i>
<i>Infrastructure</i>	
Roads	10 – 10
Electricity	5 – 80
Storm Water	10 – 80
Solid Waste Disposal	10 – 50

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Community

Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 10
Furniture and Fittings	2 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Work in Progress

Work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease.

3.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.7 De-recognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

3.8 Impairment of Assets

3.8.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3.8.2 Impairment of Non-cash Generating Assets

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the

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carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. Development assets are tested for impairment annually.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

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Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 7 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

4.3 De-recognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from de-recognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

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- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised.

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Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.

Directive 3 allows for transitional provisions in respect of heritage assets, with specific mention of the following:

If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete.

During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .121 or the transfer date in accordance with paragraph .122, and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

This measurement period expires at 30 June 2015 on which date the Standard needs to be fully complied with.

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage Assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in the accordance with the requirements of the Standard of GRAP on Heritage Assets

7. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

7.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

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- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

7.2 Financial Liabilities – Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft

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- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

In accordance with GRAP 104, the Financial Liabilities of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

7.3 Initial and Subsequent Measurement

7.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

7.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

7.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

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The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

7.5 De-recognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

7.6 De-recognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

8. INVENTORIES

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or

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- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

9. REVENUE RECOGNITION

9.1 General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

9.2 Revenue from Exchange Transactions

9.2.1 Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The

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provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

9.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

9.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

9.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

9.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement where material, where such lease periods span over more than one financial year.

9.3 Revenue from Non-exchange Transactions

9.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

9.3.2 Fines

Fines constitute both spot fines and summonses.

Revenue from traffic fines is initially measured on the value stipulated on the notice, summons or equivalent document.

The revenue from traffic fines is subject to further judicial process which is outside the municipality's control. These reductions are not considered in measuring the revenue and receivable on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process. Once this separated process has been concluded, any reductions are accounted for as a change in estimated revenue and are accounted for as a change in accounting estimate.

9.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Revenue is recognised at the fair value of the consideration received. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

9.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9.3.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus of deficit for the year.

11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12. EMPLOYEE BENEFITS

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ✓ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ✓ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short term employee benefits;
- all short term employee benefits;
- short term compensated absences;
- bonus, incentive and performance related payments;
- post employment benefits;
- other long term employee benefits; and
- termination benefits.

The municipality has adopted GRAP 25 Employee Benefits in the current year.

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The municipality has recognised:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

This municipality recognises all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

12.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

12.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

12.3 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

12.4 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

12.4.1 Pension obligations

The municipality and its employees contribute to the Natal Joint Municipal Pension Fund (Superannuation, Retirement and Provident fund). The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

12.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

12.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

13. LEASES

13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

13.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. BORROWING COSTS

In accordance with the standard, the municipality has opted to expense all borrowing costs.

15. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

16. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003)

18. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

21. RELATED PARTIES

Individuals, including councillors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all

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ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2015

other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

24. CAPITAL COMMITMENTS

In terms of GRAP 17 and GRAP 102, contractual commitments are disclosed for all assets and intangible assets. The commitment is measured at the value of the contract less amounts paid until year end. Where contracts or letters of awards have been issued, this is classified as an approved and contracted commitment.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	<u><u>8 728 156</u></u>	<u><u>8 728 156</u></u>
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	2 833 348	3 335 927
Housing Inventory	323 637	334 132
Debtors	166 102	1 148 191
Debtors: Department of Housing	251 934	251 934
Accumulations	5 262 117	3 744 237
Prepaid debtors	(108 982)	(86 265)
Total Housing Operating Account Assets and Liabilities	<u><u>8 728 156</u></u>	<u><u>8 728 156</u></u>
2. LONG-TERM LIABILITIES		
Non Annuity Loans	222 127 079	157 089 025
Annuity Loans	<u>2 829 142</u>	<u>3 827 794</u>
Sub-total	224 956 221	160 916 818
Less: Current portion transferred to current liabilities	12 628 140	13 099 635
Non Annuity Loans	<u>11 552 026</u>	<u>12 100 984</u>
Annuity Loans	<u>1 076 115</u>	<u>998 651</u>
Total External Loans	<u><u>212 328 081</u></u>	<u><u>147 817 183</u></u>

Refer to Appendix A for more detail on long-term liabilities.

Non Annuity Loans - Bank Loans

Bear interest at 8.23% to 9,73% and is redeemed in bi-annual installments, including interest, over varying periods until 2032.

Annuity loans

Bear interest at rates between 12% and 16.5% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.

All loans are unsecured

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	2015 R	2014 R
3. NON-CURRENT PROVISIONS		
Provision for the rehabilitation of the landfill site	8 459 748	8 262 395
Sub-total	<u>8 459 749</u>	<u>8 262 395</u>
Less: Current portion transferred to current liabilities (refer to Note 6)	1 319 908	1 284 404
Provision for the rehabilitation of the landfill site	<u>1 319 908</u>	<u>1 284 404</u>
Total Non-Current Provisions	<u>7 139 841</u>	<u>6 977 991</u>
<u>Landfill site rehabilitation</u>		
Balance at beginning of year	8 262 395	9 411 587
Contributions / (Reduction) to provision	197 354	(1 149 193)
Balance at end of year	<u>8 459 749</u>	<u>8 262 395</u>

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2015/2016 operating budget over a period of two (2) years.

The provision reflects a total of R8 890 414 expenditure discounted net of a rate of 9,25% pa (Prime interest rate) (2014:- 9%)

4. EMPLOYEE BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2014 reflected:

The valuation reveals that the total fund is 100% funded on the "best estimate" basis as at the valuation date, but that it is not fully funded on the "financial soundness" basis incorporating a Solvency Reserve. In terms of the scheme, the surcharge of 9.5% of pensionable salaries continue to be paid to build up the Solvency Reserve to the recommended level. This Reserve is to protect the fund against adverse experience on the active member liabilities and assets. The valuator is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the fund. In his view the Fund is in a sound financial position as at the valuation date.

Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2014 reflected:

The actuarial valuation of the fund was taken as R2 152b at the valuation date.

Total liabilities, Reserves and Accounts of the fund as at valuation date was R2 055b.

The assets exceeded the liabilities and reserves. The fund is in a sound position as at the valuation date.

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2014 reflected:

The fund is 96.2% funded as at the valuation date. The pensioner liabilities are fully funded and the liabilities in respect of active members are 91.7 % funded. The financial position has thus improved since the previous valuation. The fund self insures its risk benefits. The view of the consultant is that the Fund is not in a sound position as at the valuation date but the surcharge being paid is expected to restore the Fund to a sound financial condition within the period permitted by the FSB.

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ZAQ Consultants & Actuaries, carry out a statutory valuation on an annual basis.

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FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	Yield Curve	8.94%
Health care cost inflation rate	Yield Curve	8.05%
Net effective discount rate	Yield Curve	0.82%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA90 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	16%	24%	16%	24%
Age 25 - 29	12%	18%	12%	18%
Age 30 - 34	10%	15%	10%	15%
Age 35 - 39	8%	10%	8%	10%
Age 40 - 44	6%	6%	6%	6%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	2%	2%	2%	2%
Age 55 - 59	1%	1%	0%	0%
Age 60+	0%	0%	0%	0%

Discount Rate:

The nominal and real zero curves as at 30 June 2015 as supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. The methodology has been changed in the current financial year from a point method in order to present a more accurate depiction of the liability.

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

66 818 000

65 031 000

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	65 031 000	59 972 510
Current service cost	2 988 000	2 373 610
Interest cost	5 862 000	5 188 800
Benefit payments	(2 077 000)	(1 718 615)
Actuarial (gains)/losses	(4 986 000)	(785 305)
Balance at end of year	66,818,000	65,031,000

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	2 988 000	2 373 610
Interest cost	5 862 000	5 188 800
Benefit payments	(2 077 000)	(1 718 615)
Actuarial (gains)/losses	(4 986 000)	(785 305)
TOTAL	1 787 000	5 058 490

2015
R

2014
R

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the level of mortality and medical aid inflation.

SENSITIVITY RESULTS

Mortality Rate:

The liability at the Valuation date was recalculated to show the effect of:
(1) A 20% increase and decrease in the assumed level of mortality

Table 1 summarises the results of the sensitivity analysis

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 71 370 000	R 66 818 000	R 62 911 000
Interest Cost	R 6 563 000	R 6 137 000	R 5 772 000
Service Cost	R 2 704 000	R 2 513 000	R 2 345 000

Note: Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

Medical Aid Inflation:

The liability at the Valuation date was recalculated to show the effect of:
(1) A 1% increase and decrease in the medical aid inflation.

Table 2 summarises the results of the sensitivity analysis

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 63 721 000	R 66 818 000	R 69 148 000
Interest Cost	R 5 849 000	R 6 137 000	R 6 354 000
Service Cost	R 2 397 000	R 2 513 000	R 2 588 000

Note: The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

2015
R

2014
R

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The table summarises the accrued liabilities and the plan assets for the current period and the previous periods.

History of liabilities and assets (R millions)

Liability History	30/06/2010	30/06/2011	30/06/2012	30/06/2013	30/06/2014	30/06/2015
Present value of accrued liability	32.266	42.766	55.990	59.973	65.031	66.818
Fair value of plan assets	0.000	0.000	0.000	0.000	0.000	0.000
Surplus/ (Deficit)	(32.266)	(42.766)	(55.990)	(59.973)	(65.031)	(66.818)

4.3 Long service awards and retirement gifts

The independent valuers, ZAQ Consultants & Actuaries, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	Yield Curve	7.96%
General Salary Inflation (long term)	Equal to CPI + 1%	7.33%
Retirement Gift Inflation (long term)	0	7.82%
Net effective discount rate	Yield Curve based	0.59%

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	2015 R	2014 R
Examples of mortality rates used were as follows:		
Average retirement age	63 years	63 years
Mortality during employment	SA85-90	SA85-90
<i>Members withdrawn from service:</i>	Males Females	Males Females
Age 20 - 24	16% 24%	16% 24%
Age 25 - 29	12% 18%	12% 18%
Age 30 - 34	10% 15%	10% 15%
Age 35 - 39	8% 10%	8% 10%
Age 40 - 44	6% 6%	6% 6%
Age 45 - 49	4% 4%	4% 4%
Age 50 - 54	2% 2%	2% 2%
Age 55 - 59	1% 1%	0% 0%
Age 60+	0% 0%	0% 0%
Discount Rate:		
The nominal and real zero curves as at 30 June 2015 as supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. The methodology has been changed in the current financial year from a point method in order to present a more accurate depiction of the liability.		
The Net Effective Discount Rate is different for each relevant time period of the yield curves various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant period.		
Retirement Gifts:		
No allowances were made for retirement gifts in the current financial year as to the previous years R200 per year of service at retirement. The municipality no longer provides this benefit.		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations		
Fair value of plan assets		
Liability in the Statement of Financial Position	12 571 000	12 315 000
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	12 315 000	11 350 971
Current service cost	1 241 000	1 386 427
Interest cost	993 000	712 985
Actuarial (Gain)/losses	(657 000)	(176 959)
Benefit payments	(1 321 000)	(958 424)
Balance at end of year	12 571 000	12 315 000
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	1 241 000	1 386 427
Interest cost	993 000	712 985
Actuarial (Gain)/losses	(657 000)	(958 424)
Benefit payments	(1 321 000)	(176 959)
TOTAL	256 000	964 029

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits
Long Service Award

66 818 000

65 031 000

12 571 000

12 315 000

79 389 000

77 346 000

Statement of Financial Performance obligation for:

Post-employment medical benefits
Long Service Award loss

1 787 000

5 058 490

256 000

964 029

2 043 000

6 022 519

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are withdrawal rate and normal salary inflation

SENSITIVITY RESULTS

Withdrawal Rate:

The liability at the Valuation date was recalculated to show the effect of:

(i) A 20% increase and decrease in the assumed level of withdrawal rate;

Tables 1 summarises the results of the sensitivity analysis.

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	R 13 407 000	R 12 571 000	R 11 835 000
Current Service Cost	R 1 435 000	R 1 285 000	R 1 160 000
Interest Cost	R 1 263 000	R 1 180 000	R 1 107 000

Note: Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

Normal Salary Inflation:

The liability at the Valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the normal salary cost inflation

Tables 2 summarises the results of the sensitivity analysis.

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Total Accrued Liability	R 11 694 000	R 12 571 000	R 13 548 000
Current Service Cost	R 1 169 000	R 1 285 000	R 1 418 000
Interest Cost	R 1 094 000	R 1 180 000	R 1 275 000

2015
R

2014
R

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The table summarises the accrued liabilities and the plan assets for the current period and the previous periods.

History of liabilities and assets (R millions)

	30/06/2010	30/06/2011	30/06/2012	30/06/2013	30/06/2014	30/06/2015
Present value of accrued liability	6,267,597	7,821,611	9,623,976	11,350,971	12,315,000	12,571,000
Fair value of plan assets	0	0	0	0	0	0
Surplus/ (Deficit)	(6,267,597)	(7,821,611)	(9,623,976)	(11,350,971)	(12,315,000)	(12,571,000)

5. DEPOSITS

Electricity	26 160 144	24 237 783
-------------	------------	------------

6 CURRENT PROVISIONS

CURRENT PORTION OF PROVISIONS

Rehabilitation of the landfill site - current portion	1 319 908	1 284 404
	1 319 908	1 284 404

7 TRADE & OTHER PAYABLES

Trade creditors	88 193 014	87 280 665
Payments received in advance	22 185 269	13 388 686
Deposits - other	3 774 929	2 394 752
Staff leave	11 429 933	10 006 021
Staff bonus	6 055 309	5 220 767
Cheques payments not yet presented to bank	10 728 190	20 722 584
Retentions	17 686 132	14 849 972
Housing Agency Creditor - Department of Human Settlements	13 088 073	24 078 304
Other creditors	6 053 568	5 695 038
Total Creditors	179 194 418	183 636 789

Payments in advance includes prepaid electricity accruals.

2015
R

2014
R

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

Municipal Infrastructure Grant	4 027 780	29 220 831
Municipal Systems Improvement Grant	-	58 152
New Library	101 782	106 348
Property Rates Implementation	-	31 985
Department of Sports and Recreation	182 596	198 070
Municipal Assistance Programme	822 903	822 903
iLembe: Shared Services	333 856	810 664
Neighbourhood Development Partnership	10 711 391	15 305 708
Thusong Centre	-	9 691
Multi Purpose Centre - MPCC	-	69 414
Ethembeni / Charlotdale Precent	117 614	263 242
Expanded Public Works Programme	-	129 454
Corridor Development	3 626 351	5 563 115
Department of Minerals and Energy (DME) (INEP)	-	186 728
Museum	378 973	378 973
Housing Accreditation	15 922 692	11 124 706
Disaster Rough Seas	-	3 196 350
Demand Side Management Grant	-	8 000 000
Small Town Rehabilitation	3 000 000	-

Total Conditional Grants and Receipts

39 225 938

75 476 334

See note 21 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.

9 VALUE ADDED TAXATION RECEIVABLE

4 798 580

3 906 347

VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value	Buildings	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemetries	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2014	81,861,031	2,336,667	23,349,337	211,273,710	96,855,822	313,933,271	17,155,184	4,419,020	161,301,174	274,974,750	3,335,927	256,221	183,551,326	1,374,603,441
Cost	110,575,016	2,849,150	51,828,374	342,152,284	133,378,418	488,396,673	38,353,330	5,710,047	161,301,174	274,974,750	8,247,118	1,685,739	183,551,326	1,803,003,399
Accumulated depreciation and impairment	(28,713,985)	(512,483)	(28,479,036)	(130,878,574)	(36,522,597)	(174,463,402)	(21,198,146)	(1,291,027)	-	-	(4,911,191)	(1,429,519)	-	(428,399,959)
Additions														
Acquisitions	3,018,277	1,342,210	1,823,720	1,112,479	1,845,950	3,711,809	4,228,701	-	-	-	-	-	211,716,186	228,799,332
Donations	-	-	-	957,113		13,097,721	1,140,468						-	15,195,302
Revaluation of PPE before transfer									-				-	-
Capital under construction brought into use	15,623,387			78,957,008	18,800,600	70,064,393							(183,445,388)	-
Assets written off	-	-	(421,252)	-	-	(665,269)	(20,022)	-	(535,000)	-	-	-	-	(1,641,543)
Cost	(172)		(769,796)			(1,235,468)	(56,510)		(535,000)					(2,596,946)
Accumulated Depreciation	172		348,544			570,199	36,488							955,403
Impairment	(1,386,898)		(42,420)	(10,364,625)	-	(877,097)	(78,776)				(150,685)			(12,900,502)
Depreciation	(6,300,270)	(209,816)	(3,038,087)	(11,341,068)	(3,453,539)	(13,392,126)	(5,558,050)	(267,301)			(351,894)	(85,309)		(43,997,460)
Disposal of unverified assets							(104,520)							(104,520)
Cost	-	-	-	-	-	-	(980,681)	-	-	-	-	-	-	(980,681)
Accumulated depreciation	-	-	-	-	-	-	876,161	-	-	-	-	-	-	876,161
Carrying Values at 30 June 2015	92,815,527	3,469,061	21,671,298	270,595,450	114,048,098	385,872,701	16,762,985	4,151,719	160,766,174	274,974,750	2,833,348	170,912	211,822,125	1,559,954,151
Cost	129,216,509	4,191,360	52,882,298	423,178,918	154,024,968	574,035,127	42,685,308	5,710,047	160,766,174	274,974,750	8,247,118	1,685,739	211,822,125	2,043,420,440
Accumulated depreciation and impairment	(36,400,981)	(722,299)	(31,210,999)	(152,583,468)	(39,976,869)	(188,162,426)	(25,922,323)	(1,558,328)	-	-	(5,413,770)	(1,514,827)	-	(483,466,291)

Excluded from the above note are assets with a book value of R104 483.86 that were not verified as part of the Annual Physical Verification of movable assets undertaken by the municipality. These assets have been reported to Council and is currently under investigation.

Restated 30 June 2014

Reconciliation of Carrying Value	Buildings	Solid Waste	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemetries	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R				R	R	R	R
Carrying Values at 30 June 2013	74,503,713	2,493,589	17,585,226	170,570,423	90,495,374	257,727,870	18,306,461	4,294,021	170,339,449	282,123,700	3,374,706	721,803	88,503,906	1,181,040,242
Cost	97,977,100	2,849,257	43,365,826	291,542,451	121,504,449	415,764,938	33,755,849	5,331,572	170,339,449	282,123,700	8,052,000	1,710,332	88,503,906	1,562,820,829
Accumulated depreciation and impairment	(23,473,386)	(355,668)	(25,780,600)	(120,972,028)	(31,009,075)	(158,037,068)	(15,449,389)	(1,037,551)	-	-	(4,677,294)	(988,529)	-	(381,780,587)
Additions														-
Acquisitions	6,166,031		8,628,352	16,005,354		24,684,470	5,745,886	378,475	(9,038,275)	-	195,118	(13,100)	193,534,724	246,287,036
Capital under construction brought into use	5,943,287			34,284,372	11,875,812	44,700,437			-				(96,803,908)	-
Donations	488,599			560,099		3,750,632	225,646						(1,683,396)	5,024,977
Reclassification of AUC to expenditure														(1,683,396)
Assets written off	-	(85)	(43,929)	(23,283)	(1,833)	(230,840)	(275,572)	-	-	(7,148,950)	-	(837)	-	(7,725,329)
Cost	-	(107)	(165,805)	(239,993)	(1,842)	(503,804)	(1,374,052)	-	-	(7,148,950)	-	(11,492)	-	(9,446,045)
Accumulated Depreciation	-	22	121,876	216,709	9	272,964	1,098,480	-	-	-	-	10,656	-	1,720,716
Impairment			(26,903)	(587,620)	(2,183,367)	(4,095,262)	(122,599)							-
Depreciation	(5,240,599)	(156,837)	(2,793,409)	(9,535,635)	(3,330,164)	(12,604,035)	(6,724,638)	(253,476)			(233,897)	(451,645)		(7,015,752)
Property transferred to IP										-				-
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying Values at 30 June 2014	81,861,031	2,336,667	23,349,337	211,273,710	96,855,822	313,933,271	17,155,184	4,419,020	161,301,174	274,974,750	3,335,927	256,221	183,551,326	1,374,603,441
Cost	110,575,016	2,849,150	51,828,374	342,152,284	133,378,418	488,396,673	38,353,330	5,710,047	161,301,174	274,974,750	8,247,118	1,685,739	183,551,326	1,803,003,399
Accumulated depreciation and impairment	(28,713,985)	(512,483)	(28,479,036)	(130,878,574)	(36,522,597)	(174,463,402)	(21,198,146)	(1,291,027)	-	-	(4,911,191)	(1,429,519)	-	(428,399,959)

11. INTANGIBLE ASSETS

30 June 2015

	Total
Carrying values as at 1 July 2014	11 549 526
Cost	19 444 654
Accumulated Amortisation	(7 895 128)
Write-off of intangible assets	(2 609)
Cost	(1 165 175)
Accumulated Amortisation	1 162 567
Additions	198 048
Under Construction	1 281 300
IA not previously recognised	517 081
Amortisation	(2 753 355)
Carrying value closing balance as at 30 June 2015	10 789 991
Cost	20 275 908
Accumulated Amortisation	(9 485 916)

Intangible Assets are made up as follows:

Intangible Assets / Software R707 204
Right to use / Eskom (Driefontein) R8 801 485

30 June 2014

	Total
Carrying values as at 1 July 2013	13 352 682
Cost	18 912 749
Accumulated Amortisation	(5 560 067)
Write-off of intangible assets	(254)
Cost	(40 369)
Accumulated Amortisation	40 116
Additions	335 666
Intangible assets not previously recognized	236 608
Refund on previously capitalised amounts	-
Amortisation	(2 375 177)
Carrying value closing balance as at 30 June 2014	11 549 526
Cost	19 444 654
Accumulated Amortisation	(7 895 128)

Intangible Assets are made up as follows:

Intangible Assets / Software R638 243
Right to use / Eskom (Driefontein) R10 911 283

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	82 030 000	69 785 000
Loss on valuation	-	-
Gain on valuation	5 145 000	10 445 000
Transfer from Property, Plant and Equipment to Investment Property - 29 June 2014	-	1 800 000
Transfer from Investment Property to Property, Plant and Equipment - 29 June 2014	-	-
Carrying Values Closing Balance	87 175 000	82 030 000
The fair value of these properties as valued by Council's valuer at 30 June 2015 amounts to	87 175 000	82 030 000
Rental income derived from these properties amount to	615 746	590 874
No amounts were expensed towards repairs and maintenance costs for investment properties.		
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13. HERITAGE ASSETS		
Carrying values as at 1 July 2014		
At Cost	18 346	18 346
Additions	87 040	-
Carrying value closing balance as at 30 June 2015		
At Cost	105 386	18 346
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	9 388 446	10 343 818
	9 388 446	10 343 818
Less: Allowance for impairment and future housing discounts	(8 319 282)	(9 350 372)
Allowance for impairment and future housing discounts	(8 319 282)	(9 350 372)
	1 069 164	993 446
Less: Current portion transferred to current receivables	(12 854)	(6 109)
Current portion	(12 854)	(6 109)
Total Receivables	1 056 311	987 337
Written - off during the year	1 532 527	717 669

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
15. INVENTORIES		
Consumable stores	845 874	65 140
Mechanical spares	32 792	40 454
Electrical maintenance spares	4 825 417	5 070 259
Fuel	181 009	251 355
Housing inventory	323 637	334 132
Total Inventories	6 208 730	5 761 340
Periodically, physical stock counts are carried out.		
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	56 893 553	67 557 586
Estate	68 318	64 155
Refuse	9 870 746	7 817 772
VAT on Consumer debtors	12 677 368	12 008 383
Legal Fees	2 478 602	4 099 268
Encroachment and plot clearing	11 321	14 990
Sundry Adjustments	878 919	80 823
Interest	5 580 748	4 383 510
Add back credits included above	809 768	536 166
Total service debtors	89 269 342	96 562 653
Less: Allowance for impairment	(27 196 751)	(27 196 751)
Total	62 072 592	69 365 903
<u>Electricity: Ageing</u>		
Current (0 – 30 days)	38 076 218	50 720 526
31 - 60 Days	3 148 988	2 579 958
61 - 90 Days	3 017 090	1 495 749
91 - 120 Days	1 062 807	965 403
Greater than 120 days	11 588 449	11 795 950
Total	56 893 553	67 557 586
<u>Estate: Ageing</u>		
Current (0 – 30 days)	2 115	2 102
31 - 60 Days	2 073	1 867
61 - 90 Days	1 880	1 746
91 - 120 Days	1 475	1 746
Greater than 120 days	60 775	56 694
Total	68 318	64 155
<u>Refuse: Ageing</u>		
Current (0 – 30 days)	3 206 118	1 507 857
31 - 60 Days	550 969	494 812
61 - 90 Days	409 727	390 619
91 - 120 Days	337 689	318 765
Greater than 120 days	5 366 244	5 105 719
Total	9 870 746	7 817 772

	2015 R	2014 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>VAT on Consumer Debtors: Ageing</u>		
Current (0 – 30 days)	9 011 760	8 619 112
31 - 60 Days	526 511	431 501
61 - 90 Days	474 179	274 188
91 - 120 Days	194 080	179 920
Greater than 120 days	2 470 838	2 503 661
Total	12 677 368	12 008 383
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	266 179	691 311
31 - 60 Days	95 674	36 006
61 - 90 Days	133 752	108 442
91 - 120 Days	61 413	193 332
Greater than 120 days	1 921 584	3 070 177
Total	2 478 602	4 099 268
<u>Encroachment and plot clearing: Ageing</u>		
Current (0 – 30 days)	117	-
31 - 60 Days	117	-
61 - 90 Days	-	1 630
91 - 120 Days	-	-
Greater than 120 days	11 088	13 360
Total	11 321	14 990
<u>Sundry Adjustments: Ageing</u>		
Current (0 – 30 days)	1 285 717	95 215
31 - 60 Days	(3 926)	(3 327)
61 - 90 Days	(11 214)	(2 424)
91 - 120 Days	(5 196)	(5 902)
Greater than 120 days	(386 462)	(2 739)
Total	878 919	80 823
<u>Interest: Ageing</u>		
Current (0 – 30 days)	389 700	367 032
31 - 60 Days	315 877	265 336
61 - 90 Days	266 870	248 379
91 - 120 Days	243 223	217 582
Greater than 120 days	4 365 078	3 285 182
Total	5 580 748	4 383 510
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	6 773 302	5 472 324
31 - 60 Days	(1 153 675)	(884 570)
61 - 90 Days	(590 732)	(922 398)
91 - 120 Days	(643 165)	(404 631)
Greater than 120 days	(3 575 963)	(2 724 558)
Total	809 768	536 166

	2015 R	2014 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Reconciliation of the Allowance for Impairment</u>		
Balance at beginning of the year	119 557 419	103 467 042
Receivables from exchange transactions	27 196 751	27 196 751
Long term receivables	9 350 372	10 079 396
Receivables from non-exchange transactions	83 010 296	66 190 895
(Release from) / Contribution to provision	15 251 000	16 090 377
Receivables from exchange transactions	-	-
Long term receivables	(1 031 091)	(639 127)
Receivables from non-exchange transactions	16 181 353	16 729 504
	15 150 262	16 090 377
Vat on trade receivables from exchange transactions	-	-
Vat on trade receivables from non-exchange transactions	100 738	-
Receivables from exchange transactions	27 196 751	27 196 751
Long term receivables	8 319 282	9 350 372
Receivables from non-exchange transactions	99 587 571	83 010 296
Balance at end of year	135 103 603	119 557 419
Bad debts written off - Exchange Transactions	282 360	4 003 163
Bad debts written off - Non - Exchange Transactions	6 414 216	78 206
Bad debts written off - Long Term Receivables	-	717 669
Bad debts written off - Other Debtors	-	1 804 595
Total Bad debts written off	6 696 576	6 603 633
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	76 224 823	70 937 327
Other debtors	75 583 488	41 892 893
Department of Housing - RDP projects	251 934	251 934
Operating leases	2 153 700	2 160 503
Ilembe debtors	-	66 284
	154 213 946	115 308 941
less: Allowance for impairment	(99 587 571)	(83 010 296)
Total Other Debtors	54 626 375	32 298 645
<u>Rates: Ageing</u>		
Current (0 – 30 days)	16 924 847	12 298 967
31 - 60 Days	3 712 341	5 021 086
61 - 90 Days	3 269 009	3 515 759
91 - 120 Days	2 761 874	2 906 066
Greater than 120 days	49 556 753	47 195 449
Total	76 224 823	70 937 327
<u>Other Debtors:</u>		
Included in Other Debtors are:		
Debtors in respect of Legal Fees outstanding	-	241 551
Debtors: Demand Based Component	569 976	-
Amounts to be claimed from Dept. Of Health - Clinic Expenses	999 655	1 000 655
BPB Sindi Construction & Khayelihle Projects - fruitless & wasteful expenditure	2 003 234	2 003 234
Contour Prepaid Vending Debtor	8 743 189	1 787 168
Traffic Fines Debtor raised in terms of iGRAP1	40 874 915	22 653 670
Licences & testing fees accrued	172 505	121 638
Ilembe water deposits	6 720	6 720
Sundry Debtors - R&G	13 684 744	11 689 538
Prepaid expenditure	7 192 887	2 388 720
Salaries Suspense	139 600	-
Department of Human Settlements - Bridge Funding	1 196 063	-
	75 583 488	41 892 893

BPB Sindi Construction & Khayelihee Projects - This Fruitless & Wasteful expenditure is disclosed as part of Receivables from Non-Exchange transactions and has been fully impaired subject to the outcomes of Section 32 of the MFMA.

	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS		
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62099517743: Money Market Account</i>		
Bank statement and cash book balance at the beginning of the year	14 398 668	25 296 787
Bank statement and cash book balance at the end of the year	32 056 975	14 398 668
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 05 8756442-044: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	19 555 042	18 648 561
Bank statement and cash book balance at the end of the year	-	19 555 042
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-155: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	14 316 551	13 807 357
Bank statement and cash book balance at the end of the year	15 504 340	14 316 551
Investments Bank Account		
<i>Standard Bank Account - Stanger Branch</i>		
<i>Account Number 058756442-068: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	10 017 472	9 553 108
Bank statement and cash book balance at the end of the year	10 676 284	10 017 472
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-151: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 717 585	6 502 210
Bank statement and cash book balance at the end of the year	-	6 717 585
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2068872069: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 826 799	6 558 789
Bank statement and cash book balance at the end of the year	7 385 754	6 826 799
Investments Bank Account		
<i>ABSA Bank Account - Stanger Branch</i>		
<i>Account Number 2068912186: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 803 380	6 536 290
Bank statement and cash book balance at the end of the year	7 360 418	6 803 380
Investments Bank Account		
<i>Nedbank Bank Account - Stanger Branch</i>		
<i>Account Number 03 7881022337-152: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 738 788	6 522 734
Bank statement and cash book balance at the end of the year	-	6 738 788

	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 3133717-9975: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 225 823	5 944 124
Bank statement and cash book balance at the end of the year	6 591 731	6 225 823
Investments Bank Account <i>ABSA Bank Account - Durban Branch</i> <i>Account Number 2070596495</i>		
Bank statement and cash book balance at the beginning of the year	12 215 800	11 736 227
Bank statement and cash book balance at the end of the year	13 215 990	12 215 800
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 313 371 739 9972</i>		
Bank statement and cash book balance at the beginning of the year	12 698 996	12 083 232
Bank statement and cash book balance at the end of the year	-	12 698 996
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2070924953</i>		
Bank statement and cash book balance at the beginning of the year	11 992 251	11 521 454
Bank statement and cash book balance at the end of the year	12 974 137	11 992 251
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 066</i>		
Bank statement and cash book balance at the beginning of the year	6 041 632	5 761 570
Bank statement and cash book balance at the end of the year	6 438 968	6 041 632
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 065</i>		
Bank statement and cash book balance at the beginning of the year	6 041 632	5 761 570
Bank statement and cash book balance at the end of the year	6 438 969	6 041 632
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308672</i>		
Bank statement and cash book balance at the beginning of the year	520 083	520 127
Bank statement and cash book balance at the end of the year	520 083	520 083
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306147</i>		
Bank statement and cash book balance at the beginning of the year	260 001	260 023
Bank statement and cash book balance at the end of the year	260 001	260 001

	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74385497604</i>		
Bank statement and cash book balance at the beginning of the year	-	29 369 175
Bank statement and cash book balance at the end of the year	-	-
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 5756442-067</i>		
Bank statement and cash book balance at the beginning of the year	17 414 855	16 607 583
Bank statement and cash book balance at the end of the year	18 560 166	17 414 855
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74386376948</i>		
Bank statement and cash book balance at the beginning of the year	-	17 368 637
Bank statement and cash book balance at the end of the year	-	-
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289159660</i>		
Bank statement and cash book balance at the beginning of the year	2 852 716	2 753 602
Bank statement and cash book balance at the end of the year	2 972 854	2 852 716
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289162259</i>		
Bank statement and cash book balance at the beginning of the year	4 336 182	4 185 510
Bank statement and cash book balance at the end of the year	(25)	4 336 182
First National Bank was instructed to close the account in June 2015. Due to an oversight by the bank, it had raised bank charges. The account was subsequently closed off in July 2015 and the bank charges reversed by the bank.		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308135</i>		
Bank statement and cash book balance at the beginning of the year	214 964	214 997
Bank statement and cash book balance at the end of the year	214 964	214 964
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289163215</i>		
Bank statement and cash book balance at the beginning of the year	627 453	605 689
Bank statement and cash book balance at the end of the year	653 877	627 453
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288305230</i>		
Bank statement and cash book balance at the beginning of the year	620 126	620 159
Bank statement and cash book balance at the end of the year	620 126	620 126
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306618</i>		
Bank statement and cash book balance at the beginning of the year	186 961	186 994
Bank statement and cash book balance at the end of the year	186 961	186 961

	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442-053</i>		
Bank statement and cash book balance at the beginning of the year	5 570 224	5 328 820
Bank statement and cash book balance at the end of the year	5 917 758	5 570 224
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 38495111999-5</i>		
Bank statement and cash book balance at the beginning of the year	5 537 733	5 387 937
Bank statement and cash book balance at the end of the year	-	5 537 733
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442069</i>		
Bank statement and cash book balance at the beginning of the year	11 159 930	10 725 639
Bank statement and cash book balance at the end of the year	12 008 634	11 159 930
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 374035339994</i>		
Bank statement and cash book balance at the beginning of the year	11 301 414	10 804 631
Bank statement and cash book balance at the end of the year	-	11 301 414
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62363519251</i>		
Bank statement and cash book balance at the beginning of the year	12 843 182	12 394 732
Bank statement and cash book balance at the end of the year	13 383 654	12 843 182
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9996-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	86 227	82 390
Bank statement and cash book balance at the end of the year	89 172	86 227
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9997-19832841: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	150 067	143 598
Bank statement and cash book balance at the end of the year	155 194	150 067
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	57 566	54 653
Bank statement and cash book balance at the end of the year	60 571	57 566
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71186421337: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	15 641 105	14 805 089
Bank statement and cash book balance at the end of the year	16 728 162	15 641 105
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		

	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 31337173 - 9969: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	12 140 537	11 650 828
Bank statement and cash book balance at the end of the year	12 929 926	12 140 537
This investment has been ring-fenced to provide for funds which will be used to reimburse developers in terms of existing service level agreements.		
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2072795649</i>		
Bank statement and cash book balance at the beginning of the year	10 838 927	10 382 634
Bank statement and cash book balance at the end of the year	11 567 661	10 838 927
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073097787</i>		
Bank statement and cash book balance at the beginning of the year	10 564 449	10 223 299
Bank statement and cash book balance at the end of the year	11 323 946	10 564 449
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073166734</i>		
Bank statement and cash book balance at the beginning of the year	10 555 000	10 179 425
Bank statement and cash book balance at the end of the year	11 318 127	10 555 000
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666451</i>		
Bank statement and cash book balance at the beginning of the year	10 977 741	10 501 030
Bank statement and cash book balance at the end of the year	-	10 977 741
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666452</i>		
Bank statement and cash book balance at the beginning of the year	21 701 769	20 781 293
Bank statement and cash book balance at the end of the year	23 191 175	21 701 769
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666453</i>		
Bank statement and cash book balance at the beginning of the year	10 556 471	10 218 614
Bank statement and cash book balance at the end of the year	11 312 141	10 556 471
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666454</i>		
Bank statement and cash book balance at the beginning of the year	10 558 961	10 171 493
Bank statement and cash book balance at the end of the year	11 269 579	10 558 961
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 412995079993</i>		
Bank statement and cash book balance at the beginning of the year	10 587 549	10 199 890
Bank statement and cash book balance at the end of the year	11 292 204	10 587 549

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	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442070</i>		
Bank statement and cash book balance at the beginning of the year	10 546 986	10 168 438
Bank statement and cash book balance at the end of the year	11 444 574	10 546 986
Investments Bank Account <i>Absa Bank Account - Durban Branch</i> <i>Account Number 2074191310</i>		
Bank statement and cash book balance at the beginning of the year	10 199 987	-
Bank statement and cash book balance at the end of the year	10 696 526	10 199 987
Investments Bank Account <i>Investec Account - Durban Branch</i> <i>Account Number 1100--482666-455</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	10 270 883	-
Investments Bank Account <i>investec Bank Account - Durban Branch</i> <i>Account Number 1100-482666-456</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	20 000 000	-
The Municipality has the following main bank accounts: <u>ACCOUNT DESCRIPTION</u>		
Primary Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 53730256310: Cheque Account</i> <i>First National Bank Account - Ballito Branch</i> <i>Account Number 53730076916: Cheque Account</i>		
Cash book balance at the beginning of the year	56 507 569	26 912 615
Cash book balance at the end of the year	73 177 234	56 507 569
Bank statement balance at the beginning of the year	56 507 569	26 912 615
Bank statement balance at the end of the year	63 142 666	56 507 569
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62020550077: Cheque Account</i>		
Cash book balance at the beginning of the year	2 055 338	2 068 047
Cash book balance at the end of the year	881 803	2 055 338
Bank statement balance at the beginning of the year	2 055 338	2 068 047
Bank statement balance at the end of the year	881 803	2 055 338
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62015681225: Cheque Account</i>		
Cash book balance at the beginning of the year	19 810 085	23 542 599
Cash book balance at the end of the year	14 422 120	19 810 085
Bank statement balance at the beginning of the year	19 810 085	23 542 599
Bank statement balance at the end of the year	14 422 120	19 810 085
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031878624: Cheque Account</i>		
Cash book balance at the beginning of the year	60 157	59 223
Cash book balance at the end of the year	61 183	60 157
Bank statement balance at the beginning of the year	60 157	59 223
Bank statement balance at the end of the year	61 183	60 157
Housing Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62031876800: Cheque Account</i>		
Cash book balance at the beginning of the year	27 522	19 761
Cash book balance at the end of the year	36 918	27 522
Bank statement balance at the beginning of the year	27 522	19 761
Bank statement balance at the end of the year	36 918	27 522

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	2015 R	2014 R
18. CASH AND CASH EQUIVALENTS (continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290454: Cheque Account</i>		
Cash book balance at the beginning of the year	85 099	60 872
Cash book balance at the end of the year	114 097	85 099
Bank statement balance at the beginning of the year	85 099	60 872
Bank statement balance at the end of the year	114 097	85 099
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	23 443	16 781
Cash book balance at the end of the year	31 482	23 443
Bank statement balance at the beginning of the year	23 443	16 781
Bank statement balance at the end of the year	31 482	23 443
Electricity Main Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	30 348	21 736
Cash book balance at the end of the year	40 624	30 348
Bank statement balance at the beginning of the year	30 348	21 736
Bank statement balance at the end of the year	40 624	30 348
Electricity Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	67 219	48 117
Cash book balance at the end of the year	90 040	67 219
Bank statement balance at the beginning of the year	67 219	48 117
Bank statement balance at the end of the year	90 040	67 219
Grants Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62281022948: Cheque Account</i>		
Cash book balance at the beginning of the year	6 284 405	3 673 333
Cash book balance at the end of the year	12 920	6 284 405
Bank statement balance at the beginning of the year	6 284 405	3 673 333
Bank statement balance at the end of the year	12 920	6 284 405
18. CASH AND CASH EQUIVALENTS (continued)		
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	756 471	627 969
Cash book balance at the end of the year	872 516	756 471
Bank statement balance at the beginning of the year	756 471	627 969
Bank statement balance at the end of the year	872 516	756 471
Grants Bank Account (2)		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 74303898107: Cheque Account</i>		
Cash book balance at the beginning of the year	84 145 708	70 995 456
Cash book balance at the end of the year	86 037 953	84 145 708
Bank statement balance at the beginning of the year	84 145 708	70 995 456
Bank statement balance at the end of the year	86 037 953	84 145 708
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	11 775 369	6 846 853
Cash book balance at the end of the year	15 559 156	11 775 369
Bank statement balance at the beginning of the year	11 775 369	6 846 853
Bank statement balance at the end of the year	15 559 156	11 775 369
Petty cash and cash on hand	1 460 469	1 542 380
TOTAL CASH AND CASH EQUIVALENTS:	540 390 976	542 370 693
Total Interest earned on Investments	30 490 667	21 700 289

**KWADUKUZA MUNICIPALITY
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	2015 R	2014 R
19. PROPERTY RATES		
<u>Actual</u>		
Residential	158 024 298	149 443 581
Commercial	59 365 124	54 926 080
Residential for commercial purposes	1 089 726	672 543
Education and State	3 516 371	3 349 466
Agriculture	2 270 921	1 226 910
Vacant	48 506 946	45 451 536
Public Service Infrastructure	2 181 098	670 130
Total Assessment Rates	274 954 483	255 740 248
<u>Property Valuations</u>		
Residential	30 870 244 200	30 292 424 200
Commercial	3 737 141 000	3 802 954 000
Residential for commercial purposes	165 864 000	107 435 000
Education and State	379 328 000	379 328 000
Municipal	365 458 000	338 476 000
Agriculture	3 048 215 708	3 172 434 708
Vacant	2 938 169 400	2 889 610 400
Informal settlements	4 309 000	4 309 000
Land reform	757 878 000	567 395 000
Monuments	1 748 000	1 733 000
Public Service Infrastructure	2 091 177 000	3 405 448 000
Worship / Public Benefit Organisations	167 373 000	165 359 000
Total Property Valuations	44 526 905 308	45 126 906 308
The last general valuation came into effect on:	02/07/2010	02/07/2010
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments	0.59900	0.57000
Residential for commercial purposes	0.65700	0.62600
Agricultural	0.14900	0.14200
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	1.85400	1.76600
State owned	0.92700	0.83300
Guest houses	1.67000	1.59000
Public service infrastructure	0.14900	0.14200
The first R100 000 of the valuation of residential properties are exempt from the calculation of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Industrial incentives including:		
In first & second year thereafter phased out by 10% per annum	100%	100%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties	50%	50%
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2014/2015 financial year:		
On an annual basis, by application, and the final date of payment being:	30 September 2014	30 September 2013
On a monthly basis, and the final dates of payment being the last working day of the month from August 2014 to June 2015		
Interest is levied on outstanding rates per annum at:	15.5%	15.5%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%

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	2015 R	2014 R
20. SERVICE CHARGES		
Sale of electricity	566 803 771	527 050 451
Refuse removal	54 849 307	47 634 339
Total Service Charges	621 653 078	574 684 790
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
21. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	87 677 000	77 550 000
Municipal Infrastructure Grant	73 134 051	36 316 717
Financial Management Grant	1 700 000	1 808 946
Land Use Management Systems	-	107 000
Department of Minerals and Energy	186 728	4 813 272
Municipal Systems Improvement Grant	992 152	1 563 806
New Library Grant	256 566	224 801
Department of Sports and Recreation	15 474	62 417
CBD Revitalization	-	64 101
Library Subsidy	2 800 000	2 690 000
Municipal Assistance Programme	-	-
Museum	151 000	370 604
Disaster Rough Seas	3 196 350	1 203 908
Ilembe Shared Services Grant	822 657	12 339
Neighbourhood Development Partnership Grant	8 179 317	7 694 292
Thusong Centre Grant	9 692	334 542
Multi Purpose Centre Grant	69 414	241 148
Ethembeni / Charlotdale Precent	145 628	216 758
Expanded Public Works Programme	1 377 454	1 474 484
Corridor Development	6 936 764	4 208 058
Housing Accreditation	1 556 095	694 094
Demand Side Management Grant	-	-
Small Town Rehabilitation Grant	-	-
Property Rates Implementation	31 985	
IFA Grant	4 500 000	
Total Government Grant and Subsidies	193 738 328	141 651 286
21.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	79 677 000	77 550 000
Transfer from Demand Side Management Grant	8 000 000	
Conditions met – transferred to revenue	(87 677 000)	(77 550 000)
Conditions still to be met	-	-
21.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	29 220 831	23 696 547
Current year receipts	47 941 000	41 841 000
Conditions met - transferred to revenue	(73 134 051)	(36 316 716)
Conditions still to be met-transferred to liabilities (see note 8)	4 027 780	29 220 831
This grant was used for road infrastructure as part of upgrading of informal settlements.		
21.3 Financial Management Grant		
Balance unspent at beginning of year	-	258 946
Current year receipts	1 700 000	1 550 000
Conditions met - transferred to revenue	(1 700 000)	(1 396 946)
Withheld by National Treasury	-	(412 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. R412 000,00 was withheld by National Treasury in the prior year		
21.4 Land Use Management Systems Grant		
Balance unspent at beginning of year	-	107 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(107 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
Spatial development framework and land use management systems. No funds were withheld.		

	2015 R	2014 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.5 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	186 728	-
Current year receipts	-	5 000 000
Conditions met - transferred to revenue	(186 728)	(4 813 272)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>186,728</u>
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
21.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	58 153	731 959
Current year receipts	934 000	890 000
Conditions met - transferred to revenue	(992 152)	(1 563 806)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>58 153</u>
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
21.7 New Library Grant		
Balance unspent at beginning of year	106 348	91 149
Current year receipts	252 000	240 000
Conditions met - transferred to revenue	(256 566)	(224 801)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>101 782</u>	<u>106 348</u>
This grant was in construction of new KwaDukuza library. No funds were withheld.		
21.8 Property Rates Implementation		
Balance unspent at beginning of year	31 985	31 985
Current year receipts	-	-
Conditions met - transferred to revenue	(31 985)	-
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>31 985</u>
This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.		
21.9 Department of Sports and Recreation		
Balance unspent at beginning of year	198 070	260 486
Current year receipts	-	-
Conditions met - transferred to revenue	(15 474)	(62 417)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>182 596</u>	<u>198 070</u>
This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.		
21.10 CBD Revitalization		
Balance unspent at beginning of year	-	64 101
Current year receipts	-	-
Conditions met - transferred to revenue	-	(64 101)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.		
21.11 Municipal Assistance Programme		
Balance unspent at beginning of year	822 902	822 902
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>822 902</u>	<u>822 902</u>
This grant is for credit control and GRAP implementation.		
21.12 Museum		
Balance unspent at beginning of year	378 973	465 577
Current year receipts	151 000	284 000
Conditions met - transferred to revenue	(151 000)	(370 604)
	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>378 973</u>	<u>378 973</u>
This grant is for the Museum expenditure incurred.		

	2015 R	2014 R
21. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
21.13 Disaster Rough Seas		
Balance to be refunded at beginning of year	3 196 350	4 400 258
Current year receipts	-	-
Expenditure claimed in accordance with grant conditions	(3 196 350)	(1 203 908)
	-	3 196 350
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
21.14 iLembe Shared Services		
Balance unspent at beginning of year	810 665	823 004
Current year receipts	345 849	-
Conditions met - transferred to revenue	(822 657)	(12 339)
Conditions still to be met-transferred to liabilities (see note 8)	333 857	810 665
This grant is for the hiring of a town planner for the KwaDukuza area.		
21.15 Neighbourhood Development Partnership		
Balance unspent at beginning of year	15 305 708	-
Current year receipts	3 585 000	23 000 000
Conditions met - transferred to revenue	(8 179 317)	(7 694 292)
Conditions still to be met-transferred to liabilities (see note 8)	10 711 391	15 305 708
This grant is for Infrastructure Development R11.3m of the 2014/2015 allocation of R14.9m to the municipality in respect of the Neighbourhood Development Partnership Grant gazetted in the 2014 Division of Revenue Act (Act No. 10 of 2014) was stopped due to non-compliance of the grant allocation conditions. This decision by National Treasury will not in any way affect future allocations to the municipality.		
21.16 Thusong Centre		
Balance unspent at beginning of year	9 692	344 233
Current year receipts	-	-
Conditions met - transferred to revenue	(9 692)	(334 542)
Conditions still to be met-transferred to liabilities (see note 8)	-	9 692
This grant is for community upliftment		
21.17 Multi Purpose Centre (MPCC)		
Balance unspent at beginning of year	69 414	310 561
Current year receipts	-	-
Conditions met - transferred to revenue	(69 414)	(241 148)
Conditions still to be met-transferred to liabilities (see note 8)	-	69 414
This grant is for community upliftment		
21.18 Ethembeni / Charlotdale Precent		
Balance unspent at beginning of year	263 242	480 000
Current year receipts	-	-
Conditions met - transferred to revenue	(145 628)	(216 758)
Conditions still to be met-transferred to liabilities (see note 8)	117 614	263 242
This grant is for community upliftment		
21.19 Expanded Public Works Programme		
Balance unspent at beginning of year	129 454	603 938
Current year receipts	1 248 000	1 000 000
Conditions met - transferred to revenue	(1 377 454)	(870 484)
Amount withheld by National Treasury	-	(604 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	129 454
This grant is for community upliftment. R604 000,00 was withheld by National Treasury in the prior year.		

	2015 R	2014 R
21.20 Corridor Development		
Balance unspent at beginning of year	5 563 115	9 771 173
Current year receipts	5 000 000	-
Conditions met - transferred to revenue	(6 936 764)	(4 208 058)
Conditions still to be met-transferred to liabilities (see note 8)	3 626 351	5 563 115
This grant is for community upliftment		
21.21 Housing Accreditation Grant		
Balance unspent at beginning of year	11 124 706	6 846 000
Current year receipts	6 354 081	4 972 800
Conditions met - transferred to revenue	(1 556 095)	(694 094)
Conditions still to be met-transferred to liabilities (see note 8)	15 922 692	11 124 706
This grant is for community upliftment		
21.22 Demand Side Management Grant		
Balance unspent at beginning of year	8 000 000	8 000 000
Current year receipts	-	-
Amount withheld by National Treasury - refer off-set to Equitable Share	(8 000 000)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	-	8 000 000
This grant is for community upliftment		
The roll over approval of this grant was not approved in terms of Section 22 of Division of Revenue Act.		
21.23 Library Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	2 800 000	2 690 000
Conditions met - transferred to revenue	(2 800 000)	(2 690 000)
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for community upliftment		
21.24 IFA Grant		
Balance unspent at beginning of year	-	-
Current year receipts	4 500 000	-
Conditions met - transferred to revenue	(4 500 000)	-
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for the provision of sports facilities to the community		
21.25 Small Town Rehabilitation Grant		
Balance unspent at beginning of year	-	-
Current year receipts	3 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	3 000 000	-
This grant is for community upliftment		

	2015 R	2014 R
22 EMPLOYEE RELATED COSTS		
CONTINUED OPERATIONS		
Employee related costs - Salaries and Wages	140 618 427	129 131 891
Contributions to UIF, medical, pension benefits, WC and levies	45 111 559	41 282 559
Travel, motor car, accommodation, subsistence and other allowances	10 423 160	10 012 926
Housing benefits and allowances	556 783	528 854
Overtime, standby and rations payments	37 788 318	32 228 961
Leave pay and leave bonus payments	16 905 400	14 842 815
TOTAL EMPLOYEE RELATED COSTS	251 403 648	228 028 006
Included in the employee related costs are the following:		
<u>Remuneration of the Municipal Manager</u>		
Total cost to Council	1 586 028	1 287 448
No performance bonus was payable to the Municipal Manager in 2013/2014.		
<u>Remuneration of the Chief Finance Officer</u>		
Annual remuneration	1 149 666	1 018 741
Car allowance	132 000	132 000
Contributions to UIF, medical and pension funds	328 035	297 905
Sub-Total	1 609 702	1 448 646
Backpay:		
Annual remuneration	-	46 412
Car allowance	-	51 111
Contributions to UIF, medical and pension funds	-	35 993
Total	1 609 702	1 582 163
The remuneration of the CFO was re-negotiated effective 01 January 2013 and details of backpay is included above.		
<u>Remuneration of Executive Directors</u>		
<u>Economic Development and Planning</u>		
Annual remuneration	917 579	781 346
Car allowance	96 000	96 000
Medical and pension funds	232 215	220 201
Total	1 245 794	1 097 547
<u>Corporate Services</u>		
Annual remuneration	1 060 994	951 705
Car allowance	96 000	96 000
Medical and pension funds	23 450	29 642
Total	1 180 444	1 077 348
<u>Municipal Services</u>		
Annual remuneration	1 061 976	961 638
Car allowance	95 849	95 849
Medical and pension funds	13 253	19 858
Total	1 171 077	1 077 346
<u>Corporate Governance</u>		
Annual remuneration	861 746	721 808
Car allowance	176 379	131 752
Medical and pension funds	187 331	239 640
Total	1 225 456	1 093 200
<u>Civil Services</u>		
Annual remuneration	697 162	-
Car allowance	79 762	-
Medical and pension funds	132 513	-
Total	909 438	-

The Executive Director Civil Services took up his post on 01 September 2014

**KWADUKUZA MUNICIPALITY
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	2015 R	2014 R
23. REMUNERATION OF COUNCILLORS		
Mayor	696 170	658 073
Deputy Mayor	617 690	583 908
Speaker	561 559	531 082
Mayoral committee members	5 259 455	4 410 828
Councillors	9 064 062	9 114 548
Councillors' pension contribution	1 381 901	1 309 315
Traditional leaders	31 200	-
Total Councillors' Remuneration	17 612 038	16 607 754
24. FINANCE COSTS		
Non-current liabilities	19 808 206	11 599 969
	19 808 206	11 599 969
25. BULK PURCHASES		
Electricity	427 861 024	398 246 744
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 11.15% tariff hike in favour of Eskom.		
26. GENERAL EXPENSES		
Included in general expenses is the following: -		
Free basic services - Refuse	12 078 330	11 781 722
Dump charges	10 949 227	8 664 748
Replacement of faulty meters	1 184 478	125 045
Indigent support - parks and gardens department	11 166 252	10 787 521
Indigent support - waste management department	3 340 510	2 930 067
Security services	10 784 318	7 929 473
Shark control expenditure	3 138 213	3 037 173
Call out to consumer complaints	9 842 093	8 208 942
Legal costs	5 277 718	3 843 770
Marketing	1 200 000	1 000 300
Audit fee - external audit	3 154 461	3 407 771
Bank charges	2 442 227	2 557 595
Insurance general	1 580 881	1 476 774
Refuse bags/contract	1 658 870	1 340 280
Free basic services - Electricity	11 692 021	9 658 782
Valuations & valuation rolls	4 406 964	1 498 771
Ward Committee members	2 444 959	2 755 000
Ballito Pro expenditure	4 126 141	2 567 274
Advertising	2 298 419	2 238 176
Printing, Stationery & postage	3 150 117	3 157 310
Subscriptions	2 779 806	2 055 753
Water & Sanitation	1 760 280	1 830 258
Sundry Oils & Fuels	6 359 995	5 847 107
Street lighting consumption	3 622 794	3 249 558
Staff & councillor training costs and bursaries	1 753 960	1 652 678
Travelling & subsistence	1 353 841	938 453
Telephone calls / rentals	5 964 730	2 614 232
Protective clothing	2 755 793	2 775 114
Non standard service connection	1 413 389	1 580 500
Software support & licences and agreements	2 581 522	2 951 831
Other General Expenses	28 207 052	41 505 571
Professional Fees	3 894 799	3 727 359
TOTAL GENERAL EXPENSES	168 364 159	159 694 909

**KWADUKUZA MUNICIPALITY
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	2015 R	2014 R
27. 27.1 CONTRACTED SERVICES		
Refuse removal	18 777 173	18 601 586
Grass cutting	4 956 077	4 984 671
Asset Management Services	614 438	1 902 971
Project management fees and concept plan	-	167 500
Survey and facilitation fees for roads and housing projects	484 166	451 254
Advertising	913 066	451 782
	25 744 920	26 559 763
27.2 Transfer made: MIG funding paid to Ilembe District Municipality	20 751 542	8 528 290
<p>The Minister of Finance has allocated funds via the National MIG Unit and which funds have been allocated to KwaDukuza Municipality. The KwaDukuza Municipality by way of a Special Council Resolution on 26 July 2012, agreed to fund bulk infrastructure for water and sanitation via the said MIG allocation to enable Ilembe District Municipality to supply the relevant bulk infrastructure water and sanitation to various housing projects being undertaken by KwaDukuza Municipality. KwaDukuza Municipality has allocated an amount of R20 million from their MIG Grant funding for the 2014/2015 financial year for this project. R20 751 542 has been transferred to Ilembe District Municipality in the 2014/2015 financial year. Further details are provided under irregular expenditure.</p>		
28. REVENUE		
28.1 OTHER INCOME		
Included in other income is the following: -		
Contributions demand based	16 158 918	10 941 985
Building plan fees	8 420 806	7 125 422
Sundries	1 200 713	2 925 560
Electricity availability	2 296 896	2 136 358
Proceeds from insurance	1 608 994	2 809 580
Admin charges	1 316 577	1 176 522
P445 - Contributions by Department Of Transport	19 212 661	-
Sundry income	7 208 265	14 953 965
TOTAL OTHER INCOME	57 423 828	42 069 392
28.2 FINES		
Total revenue from Fines Income	21 075 352	25 973 087
Fines are issued in terms of S341 & S56 of the Criminal Procedures Act 51 of 1977		

2015
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2014
R

29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

29.1 Irregular Expenditure:

Irregular Expenditure incurred for the Financial Year	2014/15	2013/14
Goods and/or services not procured through competitive bidding processes.	23 884 827	538 152
Goods and/or services not procured through competitive bidding processes written off by Council and awaiting National Treasury condonement	4 461 629	-
Copies of contracts could not be located and made available to audit	-	10 904 329
Non-submission of tax clearance certificates and / or declarations of interest by suppliers, staff / contractors not registered with CIDB	-	474 237
Irregular expenditure pertaining to grass cutting contracts approved by Council and awaiting National Treasury condonement	24 233 305	24 253 018
Irregular expenditure due to conducting business with persons in the service of the state written off by Council and awaiting National Treasury condonement	383 069	912 184
Section 36 approvals subsequently reclassified as irregular expenditure. Refer to Note 32.7	-	1 140 000
Irregular expenditure 2014/2015 pertaining to banking services (FNB) written off by Council and awaiting National Treasury condonement	2 343 960	-
Irregular expenditure 2014/2015 pertaining to the vending of prepaid electricity (Contour) written off by Council and awaiting National Treasury condonement	1 228 518	-
Irregular expenditure 2014/2015 pertaining to the procurement of services relating to vehicle hire written off by Council and awaiting National Treasury condonement.	173 497	-
Irregular expenditure 2014/2015 pertaining to the procurement of legal services written off by Council and awaiting National Treasury condonement.	7 254 727	-
Irregular expenditure 2014/2015 pertaining to the procurement of travel agency services written off by Council and awaiting National Treasury condonement.	1 081 797	-
Irregular expenditure 2014/2015 pertaining to the procurement of photocopying & printing services written off by Council and awaiting National Treasury condonement .	645 123	-
Unauthorised MIG transfer to ILembe District Municipality written off by Council and approval of drawdown schedule is awaited by National Treasury,	20 751 542	8 364 825
	86 441 994	46 586 745

Reconciliation of Irregular Expenditure Written Off by Council	2014/15	2013/14
Opening Balance	56,416,974	62,436,990
Incurred for the year	86,441,994	46,586,745
	142,858,968	109,023,734
Written Off by Council	(109,658,659)	(52,606,760)
Remaining to be considered	33,200,309	56,416,974

Council has investigated all instances of irregular expenditure which has been approved above and no instances of fraud and corruption has been identified.

Reconciliation of Irregular Expenditure Condoned by National Treasury	2014/15	2013/14
Opening Balance	109,023,734	62,436,990
Incurred for the year	86,441,994	46,586,745
	195,465,728	109,023,734
Condoned by National Treasury	-	-
Remaining to be considered	195,465,728	109,023,734

Council has submitted the required information to National Treasury ,we are currently awaiting a response on the matter.

29.2 Fruitless and Wasteful Expenditure:

Fruitless and Wasteful Expenditure incurred for the Financial Year	2014/15	2013/14
Penalties & interest paid to SARS - VDP application	423 635	-
Payment made for damages to hired vehicle	9 975	-
	-	-
	433 610	-

2015
R

2014
R

Reconciliation of Fruitless and Wasteful Expenditure Written Off by Council		
Opening Balance	3,708,058	3,708,058
Incurred for the year	433,610	-
	4,141,668	3,708,058
Written Off by Council	-423,635	-
Remaining to be considered	3,718,033	3,708,058

Reconciliation of Fruitless and Wasteful Expenditure Condoned by National Treasury		
Opening Balance	3,708,058	3,708,058
Incurred for the year	433,610	-
	4,141,668	3,708,058
Condoned by National Treasury	-	-
Remaining to be considered	4,141,668	3,708,058

29.3 Unauthorised Expenditure:

Unauthorised Expenditure incurred for the Financial Year	2014/15	2013/14
	-	-

Reconciliation of Unauthorised Expenditure Approved by Council		
Opening Balance	-	-
Incurred for the year	-	-
	-	-
Written Off by Council	-	-
Remaining to be considered	-	-

Reconciliation of Unauthorised Expenditure Condoned by National Treasury		
Opening Balance	-	-
Incurred for the year	-	-
	-	-
Condoned by National Treasury	-	-
Remaining to be considered	-	-

30 Cash flows from operating activities:	2015	2014
Total comprehensive income for the year	176,989,642	132,155,300
Adjustment for:		
Depreciation of property, plant and equipment	43,997,460	41,324,335
Donations of assets	-15,195,302	-5,024,977
Loss/ (Gain) on disposal of assets	-53,500	-84,105
Heritage asset donated	-87,040	-
Assests written off PPE	1,746,063	-354,660
Intangible assets previously not recognised	-517,081	-236,355
Impairment loss	12,900,502	7,015,752
Intangible assets written off	2,609	254
Amortisation of intangible assets	2,753,355	2,375,177
Contribution to provision	197,354	-1,149,193
Retirement obligation	1,787,000	5,058,490
Long service award	256,000	964,029
Investment prop - fair val	-5,145,000	-10,445,000
Allowance for impairment	17,078,712	16,090,377
Bad debts written off	6,696,576	6,603,633
Interest income	-30,490,667	-21,700,289
Finance Costs	19,808,206	11,601,150
Transfer of PPE to IP at fair valued amount	-	-1,800,000
Assets adjustments as per Note 10	-	2,066,179
Operating Surplus before working capital	232,724,888	184,460,097
Movement in current assets and liabilities		
(Increase)/decrease in inventory	-447,390	-2,878,451
Increase/(decrease) in conditional grants and receipts	-36,250,396	17,366,514
(Increase)/decrease in exchange receivables	-16,482,085	-34,449,752
(Increase)/decrease in non-exchange receivables	-22,327,730	-3,117,974
Increase/(decrease) in Trade and Other Payables	-4,442,371	18,742,196
Increase/decrease in VAT	-892,232	503,508
Cash generated by operations	151,882,684	180,626,138

	2015 R	2014 R
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	540 390 976	542 370 693
Call investment deposits	-	-
Total cash and cash equivalents at the end of the year	540 390 976	542 370 693
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>32.1 Contributions to organised local government</u>		
Amount paid - current year	(2 853 894)	(2 268 248)
Balance unpaid (included in creditors)	-	-
<u>32.2 Audit fees</u>		
Amount paid - current year	(3 596 086)	(3 884 859)
Balance unpaid (included in creditors)	-	-
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>32.3 VAT</u>		
Vat received for the year	26 631 789	28 404 141
VAT paid for the year	(1 282 568)	(1 212 876)
VAT inputs receivables and VAT outputs payable are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
<u>32.4 PAYE and UIF</u>		
Current year payroll deductions	(37 109 065)	(32 651 918)
Balance unpaid (included in creditors)	-	-
<u>32.5 Pension and Medical Aid Deductions</u>		
Current year payroll deductions and Council Contribution	(60 039 250)	(54 317 460)
Balance unpaid (included in creditors)	-	-
<u>32.6 Councillor's arrear consumer accounts as at 30 June 2015</u>		
In terms of S124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year:		
The following Councillors had debt in excess of 90 days for the months stipulated below		
<i>Councillor: S Anamaly - Account 1154716</i>	Amount	Month
	572	August 2014
	921	September 2014
	1,273	October 2014
	1,630	November 2014
	1,991	December 2014
	2,357	January 2015
	2,727	February 2015
	3,101	March 2015
	2,479	April 2015
	2,862	May 2015
	387	June 2015
<i>Councillor: S Anamaly - Account 1149793</i>	Amount	Month
	2 585	July 2014
	3 073	August 2014
	3 557	September 2014
	1 120	November 2014
	2 082	December 2014
	2 835	January 2015
	4 231	February 2015
	1 349	April 2015
	2,525	May 2015
	3 877	June 2015
<i>Councillor: S Anamaly - Account 1152772</i>	Amount	Month
	2 437	July 2014
	4 208	August 2014
	4 655	September 2014
	413	November 2014
	830	December 2014
	1 253	January 2015
	1 681	February 2015
	413	April 2015
	830	May 2015
	423	June 2015

	2015 R	2014 R
Councillor: B Dlavana	Amount	Month
	59	September 2014
	196	October 2014
	34	November 2014
	171	December 2014
	309	January 2015
	249	February 2015
	388	March 2015
	528	April 2015
	671	May 2015
	814	June 2015
Councillor: MSCM Motala	Amount	Month
	7,149	July 2014
	7,999	August 2014
	3,710	September 2014
	7,428	October 2014
	923	November 2014
	4,584	December 2014
	4,639	January 2015
	4,134	February 2015
	8,326	March 2015
	4 878	April 2015
	4,878	May 2015
	5 173	June 2015

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	2015 R	2014 R
<u>32.7 Supply chain management deviations</u>		
Emergency	1 587 976	2 762 679
Sole provider	2 850 463	1 066 392
Acquisition of special works of art or historic objects where specifications are difficult to compile	73 000	1 296 500
In any other exceptional case where it is impractical to follow the official procurement process	3 408 779	1 057 660
	7 920 218	6 183 231
Section 36 deviations transferred to Irregular Expenditure	1 133 254	1 140 123
Total Section 36 deviations for the financial year	6 786 964	5 043 108

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (Continued)**

32.8 Material losses incurred

Electricity Distribution Losses	71,337,042	61,739,229
.	16,38%	15%
99.3million kilowatts were have been lost due to electricity distribution losses		
Bad debts written off	6,696,576	6,603,633

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for:	185 871 283	273 980 886
Infrastructure	153 942 049	265 873 624
Community	31 929 233	8 107 262

Capital Commitments are exclusive of VAT

34. CONTINGENT LIABILITIES

34.1 Reimbursement of capital costs of bulk supply to developers The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements. The comparative amount has been amended after after an excersie to review all service level agreements was concluded.	191 014 987	191 014 987
34.2 Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street	100 000	100 000
34.3 Nyathi Sugar Ridge CC is suing the municipality due to losses incurred by a damaged electrical pole setting alight the sugar cane.	188 667	188 667
34.4 Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality.	49 000	49 000
34.5 Municipality is being sued by Body Corporate Chakas Place for the removal of public toilets that are in front of the applicants building	150 000	150 000
34.6 Municipality is being sued by Sappi Southern Africa Limited for loss of revenue and additional expenditure incurred due to various power outages.	4 465 728	4 465 728
34.8 S T B Dlamini -Allegations of the Municipality's contractors encroaching onto grave sites	200 000	-
	196 168 382	195 968 382

The municipality is cited in the following legal cases. In addition to significant uncertainty surrounding the timing of any possible liability, the municipality is unable to determine the value thereof.
As such management has included only a description below.

E. M & M Engineering (Pty) Ltd

The company has served the municipality for "loss of income". The municipality has defended the matter and the last correspondance received in this respect was 27 February 2015.

Council has agreed on settling the matter with the third party and as such it highly unlikely that this will result in a settlement of any amount relating to the summons.

Due to the numerous variables which are in the process of resolution , no firm value has been committed to the settlement. Management is therefore unable to provide and estimate of loss , if any to Council.

Khayeliche Projects

The matter was won with costs by the municipality, however, the applicant has chosen to take the matter on appeal.

The third party has failed to file the necessary supporting documents wihtin the time allocated , as such management has not had the ability to review the supporting documentation to esitmate our potential liability.

**KWADUKUZA MUNICIPALITY
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	2015 R	2014 R
35. REPAIRS & MAINTENANCE		
Electrical Repairs & Maintenance	29 276 885	19 715 272
Roads & Stormwater Repairs & Maintenance	20 145 662	24 833 324
Parks & Gardens	17 142 224	19 869 249
General Repairs & Maintenance	12 302 916	9 251 588
	78 867 688	73 669 433
Additional Disclosure as required by GRAP 17 - repairs & maintance per class of Asset		
Buildings	3 847 528	
Developed Land	17 098 366	
Electrical	21 250 680	
Furniture & Fittings	1 839 246	
Housing	232 293	
Roads	18 076 699	
Solid Waste	29 786	
Stormwater	10 194 274	
Vehicles	6 298 815	
Total Repairs & Maintenance	78 867 688	
36. CORRECTION OF ERROR		
The comparatives for 2013/14 have been restated in respect of the following errors:		
Non - exchange receivables as previously reported		32 446 122
Adjustments to Rates Revenue 2013/14 in respect of Valuation Appeals		(2 236 158)
Adjustments to Rates Revenue Prior 2013/14 in respect of Valuation Appeals		(2 581 825)
Ajustment to Unidentified deposit prior 2013/2014 - rallocation between non-exchange receivables and Trade & Other Payables		4,670,506
Restated balance as at 30 June 2014		32 298 645
36.2 Restatement of Exchange receivables (Note 16)		
Exchange receivables as previously reported		69 164 521
Adjustments to Service Charges 2013/14 in respect of Electricity billing.		201 382
Restated balance as at 30 June 2014		69 365 903
36.3 Errors for accounting for Property, Plant and Equipment (Note 10)		
Property Plant & Equipment as previously reported		1 056 124 086
Adjustments to Assets as per Note 10		318 479 355
Restated balance as at 30 June 2014		1 374 603 441
36.4 Restatement of Trade & other payables (Note 7)		
Trade & other payables as previously reported		172 631 808
Refund of Verge Deposit - One Vision Investments		4 611
Refund of building plan fees - One Vision Investments		118 096
Adjustment to General Expenses - SALGA Subscriptions		74 088
Adjustment to Other Income in respect of advertising fees		266 565
Adjustment to Contracted Services - Dolphin Coast Waste Management - Beach Refuse		319 156
Adjustment to Other Income prior 2013/2014 in respect of sundry deposits		735
Adjustments to Employee Related Costs - Payment to Deceased Estates		6 400
Adjustment to General Expenses prior 2010/2011 in respect of SALGA subscriptions		300
Adjustment to 2013/2014 Retentions		(90 609)
Ajustment to Unidentified deposit prior 2013/2014 - reallocation between non-exchange receivables and Trade & Other Payables		4,670,506
Adjustment of Prior 2013/2014 VAT due to VDP disclosure - Interest & Penalties		414 366
Adjustment to Prior 2013/14 Trade & Other Payables due to staff bonus		4 634 041
Adjustment to 2013/14 Trade & Other Payables due to staff bonus		5 220 767
Restated balance as at 30 June 2014		188 270 830
36.5 Restatement of Value Added Tax receivable (Note 9)		
Value Added Tax as previously reported		5 005 275
Adjustment of Prior 2013/2014 VAT due to VDP disclosure		(1 202 107)
Adjustment to Prior 2013/2014 VAT - Free Basic Services		103,179
Restated balance as at 30 June 2014		3 906 347
36.6 Restatement of Investment Property (Note 12)		
Investment Property as previously reported		80 230 000
Transfer from Property, Plant and Equipment to Investment Property - 29 June 2014		1,800,000
Restated balance as at 30 June 2014		82 030 000

	2015 R	2014 R
36.7 Restatement of Long Term Liabilities (Note 2)		
Long Term liabilities as previously reported		160 917 999
Adjustment to ABSA loan - in agreement to amortisation schedule		(1 181)
Restated balance as at 30 June 2014		160 916 818
Reconciliation of Adjusted 2013/2014 Surplus:		
Surplus for the year as previously stated		146 610 642
Property rates:		
Adjustments to Rates Revenue 2013/14 in respect of Valuation Appeals		(2 236 158)
Depreciation		
Adjustment to depreciation expense 2013/2014 as per Restated Note 10		(1 263 281)
General Expenses:		
Adjustment to General Expenses - Assets incorrectly capitalised - should have been expensed		(2 149 924)
Adjustment to General Expenses - SALGA Subscriptions		(74 088)
Adjustment to General Expenses - street lights incorrectly capitalised		(4 202 894)
Adjustment to General Expenses - duplicated land		(5 572 786)
Adjustment to General Expenses - duplicated land		(166 000)
Adjustment to General Expenses - corrected 44 properties		(440 000)
Adjustment to General Expenses - expensing incorrectly capitalised AUC		(3 396 774)
Adjustment to General Expenses - 2013/2014 on disposal of stormwater		(1 842)
Adjustment to General Expenses - 2013/2014 reversal of electrical projects		(18 428)
Refund of Verge Deposit - One Vision Investments		(4 611)
Refund of Street Deposit - One Vision Investments		(4 045)
Adjustment to General Expenses		2,365
Adjustment to General Expenses - Retentions not released in prior year - 33kv cable -Glenhills to Laviopierre		44,482
Adjustment to General Expenses - Asset related		-109,217
Adjustment to General Expenses - Asset related		39
Other Income:		
Adjustment to Other Income - Refund of Annual Advertising fees - billboards		(266 565)
Refund of building plan fees - One Vision Investments		(118 096)
Adjustment to other income - traffic lights not previously recognised		4 377 564
Bringing on previously disposed assets		726 512
Adjustment to other income - land not previously recognised		535 000
Contracted Services`:		
Adjustment to Contracted Services - Dolphin Coast Waste Management - Beach Refuse		(319 156)
Service Charges		
Adjustment to Service Charges 2013/2014 in respect of electricity billing.		201 382
Finance Costs		
Adjustment to ABSA loan - in agreement to amortisation schedule		1 181
Employee Related Costs:		
Adjustment to Employee Related Costs - 2013/2014 staff bonus		(586 726)
Restated balance as at 30 June 2014		131 568 574

2015
R

2014
R

37. EVENTS AFTER THE REPORTING DATE

NERSA has approved a 14,24% increase in Eskom bulk purchase tariffs. The effect of this and the resultant increase in our Electricity Tariff has been fully catered for in terms of the Council approved budget for the 2015/16 Financial Year.

38 EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT

Variance (1) between Original and Final Budget:

Detail Explanations to the above variances are contained in the Mid Year Section Budget Performance Report compiled in terms of Section 72 of the MFMA. The below explanations contain a summary wherein only material variances are discussed, i.e.) variances greater or less than 5 %. Other variances are as a result of reallocations within the budget.

38.1 Investment Revenue

Due to increasing cash balances the municipality anticipated generating additional interest revenue.

38.2 Transfers recognized - operational

Approval of roll over applications , resulted in the anticipated income increasing.

38.3 Other own revenue

A review of income streams resulted in an increase to the anticipated income to be recognized.

38.4 Debt Impairment

A mid year assessment of debtors collectability resulted in the provision decreasing.

38.5 Depreciation and asset Impairment

Depreciation budget adjusted downwards by R 8,6million due to revised calculations on assets under construction as well as the expenditure trends on the 2014/2015 capital budget.

38.6 Other Expenditure

The expenditure was reviewed and in consultation with Directorates adjusted accordingly

38.7 Contributions recognized - Capital

The increase is as a result of recognition of grant roll overs application which have been approved.

Variance (2) between Final Budget and Actual Outcome

Only variances greater than 5% are deemed material , these are discussed below :

38.8 Investment Revenue

Increased cash balances as a result of slow capital expenditure resulted in additional interest income.

38.9 Transfers recognized - operational

Certain expenditure that was funded by Government Grants did not materialize .

38.10 Other own revenue

This has increased due to unforeseen increases in Public Donations, Demand based contributions and other income streams.

38.11 Employee Related Costs

The variance of R23,9m is as a result of vacancies and attrition posts which have been budgeted for but not permanently appointed for the entire financial period.

38.12 Debt Impairment

As a result of the year end debtors profiling exercise , the year end impairment adjustment was not as significant as expected.

38.13 Other Expenditure

Variance is to numerous savings and slow progress on certain programmes.

38.14 Capital Expenditure

The municipality has underspent the capital budget by R179.45m. The main reason for this underspending were due to the roll-over of projects funded by conditional grants as well as delays in finalising procurement processes for capital projects. This has resulted in the municipality not achieving some of its planned service delivery targets for the year.

	2015 R	2014 R
39. RELATED PARTIES		
39.1 COUNCILLOR: R SINGH		
<u>Expenditure:</u>		
General Expenses for the year	4 575 704	4 357 739
Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.		
Balance outstanding at year end:	Nil	Nil
39.2 STAFF MEMBER: P NAIDOO		
<u>Expenditure:</u>		
General Expenses for the year	Nil	125 422
Nature of transaction: The Council has entered into a contract with the father of the employee for the sale of prepaid electricity		
Balance outstanding at year end:	Nil	Nil
39.3 STAFF MEMBER: P MURUGAN		
<u>Expenditure:</u>		
General Expenses for the year	399 913	461 823
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
39.4 COUNCILLOR: B B SINGH		
<u>Expenditure:</u>		
General Expenses for the year	721 255	433 143
Nature of transaction: The spouse of the councillor owns a travel agency. Council conducts business with this CC.		
Balance outstanding at year end:	Nil	Nil
<u>Expenditure:</u>		
General Expenses for the year	Nil	362 194
Nature of transaction: The municipality awarded a tender to Singh's Fruit & Veg for prepayment electricity to the spouse of the councillor.		
Balance outstanding at year end:	Nil	Nil
39.5 STAFF MEMBER: S I TSWANA		
<u>Expenditure:</u>		
General Expenses for the year	Nil	37 568
Nature of transaction: The brother of the employee hires out sound equipment to the municipality for public meetings.		
Balance outstanding at year end:	Nil	Nil
Total value of related parties	5 696 872	5 777 889
Payments of remuneration to senior managers and councillors - details of payments are set out in Notes 23 & 24		

	2015 R	2014 R
40. LEASES		
OPERATING LEASES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	557 248	530 712
Later than 1 year and no later than 5 years	2 521 899	2 401 809
Later than 5 years	4 837 557	5 514 895
	7 916 704	8 447 416
<i>Salient leases</i>		
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.		
FINANCE LEASES		
Amounts payable under finance leases:		
Finance lease liability - Minimum lease payments		
No later than 1 year	14 295	219 856
Later than 1 year and no later than 5 years	-	14 295
Later than 5 years	-	-
Future Finance charges on finance leases	(825)	(14 953)
Present Value of finance lease liability	13 470	219 198
Present Value of Minimum Lease Obligations		
No later than 1 year	13 470	205 728
Later than 1 year and no later than 5 years	-	13 470
Later than 5 years	-	-
	13 470	219 198
Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19,00%. Capitalised Lease Liabilities are secured over the items of equipment leased.		
The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.		
41. UTILISATION OF LONG-TERM LIABILITES RECONCILIATION		
Long-term liabilities - facilities granted	224 956 221	160 917 999
Used to finance property, plant and equipment - at cost	224 956 221	160 917 999
Undrawn facilities	-	-
DBSA R255 185 427 loan	36 903 785	139 055 871
ABSA R21 544 000 loan	2 164 026	9 202 898
	39 067 811	148 258 768
Facilities Granted / Not yet utilized	39 067 811	148 258 768
42 CHANGE IN ESTIMATE		
Furniture and Fittings, fully depreciated, but still in use at year end amounts to a cost of R3 638.40 and accumulated depreciation of R3 638.40.		
The Municipality reviewed the useful lives of items of property, plant and equipment. Adjustments to these usefull lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a result of this adjustment, the current year total depreciation decreased by a net R3 407 653.76 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The detail breakdown of the depreciation adjustment is as follows:		
Buildings	302 695	
Housing Assets	107 594	
Electricity Infrastructure	(741 793)	
Roads Infrastructure	201 315	
Solid Waste	(1 195)	
Cemeteries	818	
Furniture and Fittings	(2 030 942)	
Vehicles	(998 670)	
Intangible Assets	(94 424)	
Leased Assets	(153 053)	
	(3 407 654)	

43. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

43.1 *Maximum credit risk exposure*

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevent financial instruments is as follows (domestic exposure only)

	2015 R	2014 R	2013 R
Investments	-	-	-
Cash and Cash Equivalents	540,390,976	542,370,693	528,947,208
interest rate swaps	-	-	-
Financial guarantees	-	-	-
Trade and other receivables	117,768,130	102,604,090	87,797,198
Maximum Credit Exposure	658,159,106	644,974,783	616,744,406

43.2 *Liquidity risk*

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undislosed cash flows.

2015	1 month or less	1-3 months or less
Gross finance lease obligations	1,678	2,519
Long Term Borrowings	-	2,866,848
Trade and other payables	-	-
Other	39,225,938	-
2015	3-12 months or less	1-5 years
Gross finance lease obligations	9,203	-
Long Term Borrowings	32,181,851	239,699,492
Trade and other payables	179,194,418	-
Other	-	-
2014	1 month or less	1-3 months or less
Gross finance lease obligations	25,371	49,558
Long Term Borrowings	263,873	3,522,816
Trade and other payables	-	-
Other	75,476,334	-
2014	3-12 months or less	1-5 years
Gross finance lease obligations	140,629	14,295
Long Term Borrowings	24,501,164	297,836,496
Trade and other payables	183,636,789	-
Other	-	-

43.3 *Interest rate risk*

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2015 R	2014 R	2013 R
Bank balances and cash	540,390,976	542,370,693	528,947,208
Maximum Interest exposure	540,390,976	542,370,693	528,947,208

43.4 *Other price risk*

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2015

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2014	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/2015
		%		R	R	R	R
Non Annuity Loans							
DBSA R43M LOAN	101267/1	8.58%	31/03/2026	24,996,543.35	-	2 083 045	22 913 498
Loan INCA R5 900 000	KWAD 00-0005	9.09%	31/05/2015	1,289,420.69	-	1 289 421	-
Loan ABSA R3100 000	30-3124-5686	8.73%	01/06/2020	2,230,975.16	-	280 656	1 950 319
Loan ABSA R900 000	30-3123-2295	8.23%	01/06/2015	215,958.06	-	215,561	-
Loan INCA R6800 000	KWAD 00-0006	9.02%	30/06/2015	1,614,554.09	-	1,614,554	-
Loan ABSA R21.544M	30-3593-5306	7.96%	30/06/2017	13,954,011.67	-	4 293 889	9 660 123
Loan DBSA R28.9M (ELECT)	61006918/19	9.73%	30/09/2030	67,007,164.70	37,001,294.49	3 420 684	111 642 451
DBSA: R5.888 LOAN	61006918/19	9.73%	31/12/2032	45,780,396.84	43,874,890.29	2 639 923	75 960 689
Total Non Annuity Loans				157 089 025	80 876 185	15 837 734	222 127 079
Annuity Loans							
Loan Development Bank Of SA	10580/204	12.00%	30/09/2017	243 391	-	59 748	183 643
Loan Development Bank Of SA	11165/102	15.75%	30/09/2017	3 141 372	-	734 919	2 406 453
Loan Development Bank Of SA	13527/103	16.50%	30/09/2014	66 284	-	66 284	-
Loan Development Bank Of SA	11577/102	13.45%	30/06/2014	-	-	-	-
Loan Development Bank Of SA	9879/102	12.00%	30/09/2016	376 747	-	137 701	239 047
Total Annuity Loans				3 827 794	-	998 651	2 829 142
TOTAL EXTERNAL LOANS				160 916 818	80 876 185	16 836 385	224 956 221

	COST /REVALUATION									ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	Under Construction	Assets fair valued	Assets Donated	Disposals	Transfers	Closing Balance		Restated Opening Balance	Additions	Disposals	Impairment	Transfers	Closing Balance	Carrying Value
								-							-	-
Infrastructure Roads	342,152,285	1,112,479		-	957,113		78,957,008	423,178,918		-130,878,574	-11,341,068		-10,364,625	-	152,583,468	270,595,450
								-							-	-
Buildings	110,575,014	3,018,277		-		-172	15,623,387	129,216,506		-28,713,985	-6,300,270	172	-1,386,898		36,400,981	92,815,525
								-							-	-
Cemetries	5,710,047		-	-	-	-	-	5,710,047		-1,291,027	-267,301	-	-		1,558,328	4,151,719
								-							-	-
Solid Waste	2,849,150	1,342,210	-	-	-		-	4,191,360		-512,482	-209,816		-		722,298	3,469,062
								-							-	-
Housing Assets	8,247,118		-	-	-	-	-	8,247,118		-4,911,191	-351,894		-150,685		5,413,770	2,833,348
								-							-	-
Stormwater Infrastructure	133,378,418	1845950	-	-	-	-	18,800,600	154,024,968		-36,522,597	-3,453,539	-			39,976,869	114,048,099
								-							-	-
Developed Land	161,301,174	-	-	-	-	-535,000	-	160,766,174		-	-	-	-		-	160,766,174
								-							-	-
Electricity Infrastructure	488,396,673	3,711,809			13,097,721	-1,235,468	70,064,393	574,035,128		-174,463,402	-13,392,126	570,199	-877,097		188,162,426	385,872,702
								-							-	-
Vehicles	51,828,375	1,823,720	-		-	-769,796	-	52,882,299		-28,479,036	-3,038,087	348,544	-42,420		31,210,999	21,671,300
								-							-	-
Leased Assets	1,685,739	-	-	-	-		-	1,685,739		-1,429,519	-85,309		-		1,514,828	170,911
								-							-	-
Undeveloped Land	274,974,750	-	-	-	-		-	274,974,750		-	-	-	-		-	274,974,750
								-							-	-
Assets under Construction	183,551,326	212,997,486		-	-	-	-183,445,388	213,103,423		-	-	-	-		-	213,103,423
								-							-	-
Furniture and Fittings	38,353,333	4,228,701	-		1,140,468	-1,037,191	-	42,685,311		-21,198,146	-5,558,050	912,649	-78,776		25,922,324	16,762,987
								-							-	-
	1,803,003,402	230,080,632	-	-	15,195,303	-3,577,627	-	2,044,701,742		-428,399,959	-43,997,460	1,831,564	-12,900,501	-	483,466,291	1,561,235,451

KWADAKUZA MUNICIPALITY

UNAUDITED APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2015

		COST / REVALUATION				ACCUMULATED DEPRECIATION						
		OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE		OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
001	EXECUTIVE AND COUNCIL	376 378 261	819 774	(941 427)	376 256 608		6 573 946	1 755 692	(172)	1 537 583	9 867 049	366 389 559
002	FINANCE AND ADMINISTRATIO	14 746 668	2 469 755	(77 899)	17 138 524		7 251 843	1 822 915	(36 488)	78,776.00	9 117 046	8 021 479
003	PLANNING AND DEVELOPMENT	16 232 506	537 588	(1 167 978)	15 602 116		5 786 535	864 541			6 651 076	8 951 041
005	COMMUNITY AND SOCIAL SER	132 171 874	12 238 055	(6 338 882)	138 071 047		16 111 983	1 339 040	(876 161)		16 574 862	121 496 185
006	HOUSING	522 219	8 492	(250)	530 461		337 665	36 743			374 408	156 053
007	PUBLIC SAFETY	63 541 459	9 988 106	(5 641 358)	67 888 208		29 701 544	4 957 598	(348 544)	42 420	34 353 018	33 535 190
008	SPORTS AND RECREATION	21 924 288	12 095 557		34 019 846		1 733 408	1 068 636			2 802 044	31 217 802
009	WASTE MANAGEMENT	12 739 564	1 342 210		14 081 774		3 986 409	1 305 074			5 291 483	8 790 291
010	ROAD TRANSPORT	576 588 925	203 832 699	(93 584 127)	686 837 496		178 024 033	15 425 258		10,364,626.00	203 813 917	483 023 580
011	ELECTRICITY	588 157 634	185 389 085	(79 271 057)	694 275 662		178 892 594	15 421 964	(570 264)	877,097.00	194 621 390	499 654 272
Grand Total		1 803 003 399	428 721 322	(187 022 978)	2 044 701 742		428 399 959	43 997 460	(1 831 629)	12 900 502	483 466 291	1 561 235 451

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	2014 Actual Revenue R		2014 Actual Expenditure R		2014 (Surplus)/ Deficit R				2015 Actual Revenue R		2015 Actual Expenditure R		2015 (Surplus)/ Deficit R	
	(111 295 323)		66 668 798		(44 626 525)		Executive and Council		(140 846 922)		70 931 841		(69 915 081)	
	(317 149 488)		87 935 263		(229 214 225)		Finance and Administration		(375 022 918)		121 934 285		(253 088 633)	
	(10 450 361)		27 974 112		17 523 751		Planning and Development		(15 685 821)		30 376 974		14 691 153	
	-		4 014 639		4 014 639		Health		-		4 807 709		4 807 709	
	(4 935 367)		18 867 374		13 932 007		Community and Social Services		(4 991 901)		21 574 674		16 582 774	
	(2 265 403)		5 902 988		3 637 585		Housing		(2 772 280)		7 852 535		5 080 255	
	(23 746 852)		85 011 439		61 264 587		Public Safety		(26 251 459)		101 270 389		75 018 929	
	(10 690 384)		74 387 641		63 697 257		Sports and Recreation		(22 783 282)		69 970 394		47 187 112	
	(61 075 383)		57 268 857		(3 806 526)		Waste Management		(72 243 696)		63 650 516		(8 593 180)	
	(21 731 753)		77 548 688		55 816 936		Road Transport		(51 471 989)		101 937 184		50 465 195	
	(537 815 115)		463 420 329		(74 394 785)		Electricity		(632 617 634)		572 557 220		(60 060 414)	
	(1101 155 428)		969 000 127		(132 155 300)		Sub Total		(1344 687 902)		1 166 863 720		(177 824 182)	

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2015

	Actual 2015	Budget 2015	Variance 2015	Variance 2015
	R	R	R	%
REVENUE				
Revenue from non-exchange transactions				
Property rates	(274,954,483)	(288,499,016)	(13,544,533)	4.69%
Property rates - penalties imposed and collection charges	(8,829,843)	(11,442,000)	(2,612,157)	22.83%
Fines	(21,075,352)	(29,987,810)	(8,912,458)	29.72%
Government grants and subsidies	(193,738,328)	(229,251,635)	(35,513,307)	15.49%
Licences and permits	(8,622,880)	(9,326,980)	(704,100)	7.55%
Public donations - Property, plant and equipment	(15,195,302)	-	15,195,302	100.00%
Revenue from exchange transactions				
Service charges	(621,653,078)	(630,142,286)	(8,489,209)	1.35%
Rental of facilities and equipment	(1,065,346)	(1,106,940)	(41,594)	3.76%
Interest earned investments	(30,490,667)	(24,949,875)	5,540,793	-22.21%
Interest earned outstanding debtors	(5,673,326)	(4,539,000)	1,134,326	-24.99%
Other income	(57,423,828)	(35,992,527)	21,431,301	-59.54%
Gain on disposal of property, plant and equipment	(53,500)	(90,000)	(36,500)	40.56%
Revaluation of investment properties	(5,145,000)	-	5,145,000	100.00%
Total Revenue	(1,243,920,933)	(1,265,328,069)	21,407,136	-1.69%
EXPENDITURE				
Executive and Council	70,931,841	65,169,219	5,762,622	8.84%
Finance and Administration	121,934,285	94,692,878	27,241,406	28.77%
Planning and Development	30,376,974	35,517,919	(5,140,945)	-14.47%
Health	4,807,709	5,019,155	(211,446)	-4.21%
Community and Social Services	21,574,674	24,384,915	(2,810,240)	-11.52%
Housing	7,852,535	14,350,622	(6,498,087)	-45.28%
Public Safety	101,270,389	109,295,071	(8,024,682)	-7.34%
Sports and Recreation	69,970,394	67,238,129	2,732,265	4.06%
Waste Management	63,650,516	69,548,307	(5,897,791)	-8.48%
Road Transport	101,937,184	107,029,238	(5,092,054)	-4.76%
Electricity	572,557,220	583,475,784	(10,918,564)	-1.87%
Total Expenditure	1,066,096,750	1,175,721,236	(8,857,516)	-7.10%
SURPLUS FOR THE YEAR	(177,824,183)	(89,606,833)	(88,217,350)	

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

	2015 Actual R	2015 Under Construction R	2015 Total Additions R	2015 Budget R	2015 Variance R	2015 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
EXECUTIVE AND COUNCIL	4 270 269	8 400 000	12 670 269 -	23 289 657	(10 619 388)	-46%	The project is in the construction phase and has been requested to be rolled over.
FINANCE & ADMIN	2 555 322		2 555 322 -	4 614 538	(2 059 216)	-45%	Under-spending due to a delay on construction of the wall of victims of violence and renovation to finance buildings. Savings on fleet purchase and Electronic Time management system.
PLANNING & DEVELOPMENT	544 963		544 963 - -	16 308 288	(15 763 325)	-97%	Corridor Funding expenditure was delayed due to the cancelation of the contract with the contractor (poor performance), the project has continued into the next financial year.
COMMUNITY & SOCIAL SERVICES	3 791 452	14 203 171	17 994 624 - -	32 899 341	(14 904 717)	-45%	Under-spending due delay in the construction of projects, hence projects are rolled over to next financial year.
PUBLIC SAFETY	2 826 991	5 296 995	8 123 987 -	18 362 822	(10 238 835)	-56%	Various vehicles were not purchased for the year under review as the municipality is investigating obtained transversal contracts i.r.o procurement.
ROADS & STORM WATER DRAINAGE	4 348 870	97 792 973	102 141 844 -	171 059 522	(68 917 679)	-40%	Delay in the implementation of capital projects due to poor performance of certain contractors which results in the cancellation of contract for certain projects. Funds have been rolled over.
ELECTRICITY	13 940 580	87 304 346	101 244 926 -	141 715 351	(40 470 425)	-29%	Delay on loan funded projects as per the Energy Master Plan. Majority of bulk supply projects have been awarded. Delays are attributed to logistical challenges. Delay in the procurement of fleet. Funds have been rolled over
	32 278 448	212 997 486	245 275 934	408 249 519	(162 973 585)		

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2014/2015

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2013/2014 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2014/2015 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	8,000,000	34,705,000	13,226,000	23,746,000	-8,000,000	71,677,000	34,705,000	21,226,000	23,746,000	-	79,677,000	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	DPLG	29,220,831		5,000,000	26,830,000	16,111,000	-	47,941,000	4,819,754	15,001,426	24,909,022	28,403,849	73,134,051	4,027,780	NO	N/A	NO	unauthorised MIG transfer to Ilembe
INEP Grant	Integrated National Electrification Grant	186,728						-	186,728	-	-	-	186,728	0	NO	N/A	YES	N/A
Finance Management Grant	National Treasury	-	-	1,700,000	-	-	-	1,700,000	517,501	239,048	272,474	670,977	1,700,000	-	NO	N/A	YES	N/A
New Library	Provincial Libraries	106,348		252,000	-		-	252,000	60,982	64,981	68,054	62,550	256,566	101,782	NO	N/A	YES	N/A
Municipal Systems Improvement Grant	LGTA	58,152		934,000	-	-	-	934,000	575	300,967	89,195	601,416	992,152	-	NO	N/A	YES	N/A
Museum	Office Of the Premier	378,973		-	151,000	-	-	151,000	-	151,000	-	-	151,000	378,973	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	31,986						-				31,985	31,985	0	NO	N/A	YES	N/A
DPT Sports	Department of Sports & recreation	198 070						-	15 474	-	-		15,474	182,596	NO	N/A	YES	N/A
Municipal Assistance Programme Grant	DPLG	822,903						-					-	822,903	NO	N/A	YES	N/A
iLembe Shared Services	Ilembe District Municipality	810,664		345,849	-	-	-	345,849	-	-	620,252	202,405	822,657	333,856	NO	N/A	YES	N/A
Neighbourhood Development Partnership	National Treasury	15 305 708	-	3 585 000	-	-	-	3,585,000	2,200,334.04	1 459 039	3 519 012	1 000 933	8,179,318	10,711,391	NO	N/A	YES	N/A
Thusong Centre		9 691						-	9 691	-	-	-	9,691	-	NO	N/A	YES	N/A
Multi Purpose Centre (MPCC)		69 414						-	48 283	21 131	-	-	69,414	-0	NO	N/A	YES	N/A
Entembeni Charlotdale Precent Grant		263 242						-	-	-	145 628	-	145,628	117,614	NO	N/A	YES	N/A
Corridor Development		5 563 115				5 000 000	-	5,000,000	758 353	114 846	2 658 143	3 405 422	6,936,764	3,626,351	NO	N/A	YES	N/A
EPWP	National Treasury	129 454		499 000	374 000	375 000	-	1,248,000	-	1 002 454	375 000	-	1,377,454	-	NO	N/A	YES	N/A
Housing Accreditation		11 124 706		3 899 760	971 762	881 600	600 960	6,354,082	297 431	669 324	104 741	484 600	1,556,095	15,922,692	NO	N/A	YES	N/A
Library Subsidy		-		-	2 800 000	-	-	2,800,000	-	2 800 000	-	-	2,800,000	-	NO	N/A	YES	N/A
IFA Grant		-		-	-	4 500 000	-	4,500,000	-	-	-	4 500 000	4,500,000	-	NO	N/A	YES	N/A
Small Towns Rehabilitation		-		-	-	3 000 000	-	3,000,000	-	-	-	-	-	3,000,000	NO	N/A	YES	N/A
Beach Rehabilitation		3 196 350		-	-	-	-	-	-	-	3 196 350	-	3,196,350	-	NO	N/A	YES	N/A
Demand Side Management Grant	National Treasury	8 000 000	(8 000 000)					-				8 000 000	8,000,000	-	YES	Underspensing	YES	N/A
		75 476 334	-	50 920 609	44 352 762	53 613 600	(7 399 040)	149 487 931	43 620 104	43 050 215	59 703 871	47 364 136	193 738 327	39 225 938				